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NATIONAL POLICY AND ISSUES

PARTY'S LEADERSHIP OVER ENTERPRISES

HK090905 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 81
pp 3-7

[Article by Jin Guangwen [7246 1639 2429]: "Strengthen and Improve the Party's Leadership Over Enterprises"--passages within slantlines denote boldface as published]

[Text] The great Chinese Communist Party has just celebrated its 60th anniversary.

Under the leadership of the party, the Chinese people have over the past half a century and more waged tortuous and arduous struggles, finally defeated vicious internal and external enemies one after another and won historical victories for the new democratic revolution and socialist revolution to pioneer the great cause of socialist construction. Under the leadership of the party, we have smashed the counterrevolutionary cliques of Lin Biao and the "gang of four," saved the country and revolution and begun a new historical period of the socialist construction that is aimed at realizing the four modernizations. The experiences in the course of revolution and construction have proved that the Chinese Communist Party is the leading core of the whole Chinese people as well as the mainstay of the Chinese revolution and construction. Without the party, there would be neither new China nor modern China.

It is our general task for a long time to come to realize the four modernizations. It is unimaginable to build our country into a powerful socialist country without the leadership of the party that is representing the interests of the people and that is in a position to unite the people of various nationalities in their fight.

But because the party's good tradition and work style have been seriously spoiled by the sabotage of the "gang of four" during the 10 chaotic years, because of the defects in the party's system of leadership and because the new historical period has set new tasks and demands on the party, it is imperative to strengthen and improve the party's leadership. Comrade Deng Xiaoping said that we are facing a big problem of how to improve the party's leadership, and if we do not study and solve this problem, we will not be able to uphold the party's leadership and prestige. He also said that in order to improve the party's leadership it is imperative to improve the current leadership work of the party and rectify the party's leadership system that includes the leadership system over enterprises.

The leadership system of our enterprises has experienced constant development and change. Prior to the founding of new China, some state-owned enterprises in base areas resisting Japanese aggression and liberated areas implemented a factory director responsibility system under collective leadership. That is to say, the important matters of the enterprises were decided by "three-member teams" that were composed of the party branch secretary, the factory director and the head of the trade union or factory management committee, while the factory manager was responsible for daily production and administrative work. This system accorded with the situation during war time and with that of small-scale enterprises and simple production.

Following the nationwide liberation, we confiscated large enterprises. Some state-owned enterprises introduced the party committee system and the enterprises were directly under the management of the committee. Other factories implemented the factory director responsibility system, with a unified command for both production and administration so as to meet the objective need of socialized mass production. Still other enterprises implemented democratic management system by factory management committee and workers' congresses while the party organizations were responsible for guiding ideological and political work in factories and mines. Beneficial experiences were gained from trial implementation of these systems but there were also some problems. In 1953, some enterprises introduced the "system of one-man leadership," but it resulted in weakening the party's leadership and the staff's democratic management. The Eighth Party Congress that was convened in 1956 officially decided that the workers' congress system and factory director responsibility system under the leadership of the party committee be implemented in enterprises. It must be affirmed that these systems played a positive role in strengthening the party's leadership and workers' democratic management. But they had the major weak point of confusing the party's leadership with workers' democratic management. Both the "unified leadership of the party" and the "first secretary in command" were one-sidedly stressed in carrying out these systems, administrative powers were totally centralized in the hands of the party organizations, and all matters had to be discussed by the party committee and approved by the party secretary. Consequently, people thought that realizing party leadership meant that the party had to take care of everything. Other people even thought that party leadership meant that everything had to be approved by the party secretary. Practice proved that, by confusing party work with administrative work, the broad masses of the people were not able to fully display their role as the masters of the country, and this confusion was not beneficial to establishing and perfecting the responsibility system of production and technology and unified command in production and administration. More important was that with such a system, the political party, which is the vanguard of the proletariat, was downgraded to an administrative organization as well as to a direct manager of economic activities in production and technology of enterprises. As a result, the tendency for the party not to care about its own work emerged. In fact, the party's ideological and political leadership in enterprises was weakened.

The 3d Plenary Session of the 11th Party Central Committee pointed out that the leadership system must overcome confusing the party's work with administrative work. Now the party and state leadership system is being reformed according to the principle of separating party and administrative work. The restructuring of the leadership system of enterprises must also overcome shortcomings such as

confusing the party's work with administrative work, confusing the party's work with that of enterprises, the party replacing administration and the party not caring about the party's work itself. The reform must be carried out according to the principle of separating party and administrative work so that the party organizations in enterprises will be freed from administrative affairs to engage in guiding ideological and political work.

In his speech to the enlarged meeting of the Political Bureau of the Party Central Committee on 18 August 1980, Comrade Deng Xiaoping pointed out that "it is necessary to gradually reform the factory director responsibility system and the factory manager responsibility system under the leadership of the party committee and to gradually popularize through trial points the factory director responsibility and manager responsibility system under the leadership and supervision of the joint committee composed of the management committee, company board of directors and economic integrated organs." He also stressed: "Following the decision of the Party Central Committee, some matters still have to be put on a trial basis so that we can acquire experience, gather the wisdom of the collective, and so that each matter can be solved when the situation is ripe. The decision on each matter has to be made by the Party Central Committee, coupled with a feasible system and regulations that are worked out by the Party Central Committee and that can play their role over a long period and that can only be implemented step-by-step. Before the new system and regulations are declared by the Party Central Committee, the tasks of various departments concerned must be carried out according to the existing system." At present, there are dozens of enterprises throughout the country carrying out experiments, and they are shouldering the glorious tasks of exploring and pioneering a new and complete Chinese-style leadership system for socialist enterprises. The enterprises that are not carrying out experiments are still following the existing factory director responsibility system and workers' congresses system under the leadership of the party committee. But a number of enterprises are implementing the party's leadership over ideological and political work under the principle of separating the party's work from administrative work and perfecting the workers' congresses system and factory director responsibility system in their efforts to make preparations for the necessary reform, even though they are still operating under the existing system.

The reform of the leadership system of enterprises is a major step not only because it is part of the reform of our political system but also because it is directly related to the reform of our economic system. Like the reform of other systems, the reform of this system also needs people's unified ideological understanding, because of some views that have been formed through habit over the past long period, some comrades do not really understand the necessity and great significance of carrying out reform, and therefore they are skeptical about it. Such a situation is inevitable. These comrades hold that when separation of party and administrative work is carried out and the party alone acts as the nucleus in the leadership over ideological and political work in enterprises and does not directly manage the enterprises, the party will then lose "power." Since the party does not have the "power," people will not listen to it and such a situation shows that the party's prestige has dropped and its leadership has weakened. Is such a view correct? To answer this question we must analyze the following two points. First, we must basically understand the leadership role of the party, and second, we must proceed from the point of the development of history and see how the party should display its leadership role in the new historical period.

The revolutionary cause of the proletariat will not achieve victory unless the proletariat has its own vanguard as its leadership core. But any revolutionary cause is the business of the laborers themselves. Comrade Mao Zedong also said: "The basic principle of Marxism and Leninism is to enable the masses to understand their own interests and to unite in the struggle for their own interests." ("A Talk to the Editorial Staff of the JINSUI RIBAO" [SHANXI SUIYUAN DAILY]) This is the view which holds that the people will liberate themselves; it is also the basic view that has always been resolutely followed by our party. Comrade Liu Shaoqi explained this question in detail in his "On the Party" and this explanation merits our studying it afresh. He said:

"[Begin passage in italics] All the causes of us communists are the causes of the people. No matter how correct our programs and policies, they cannot be realized if the broad masses of the people do not directly support them and persist in struggling for them. Therefore, we must rely on the broad masses of people, and whatever we do is decided by their consciousness. Without this consciousness we will accomplish nothing and consequently we will do numerous but thankless tasks. As long as we rely on the consciousness of the masses and as long as they are truly and consciously mobilized, and there is a correct party leadership, all the great causes of the party will finally end with victory and succeed. Therefore, as the vanguard of the masses of people, we communists have the duty in carrying out any work when the masses of the people are not yet conscious to resort to all effective and proper methods to raise their consciousness. No matter how arduous our tasks are and how long the time required, this is the first task we have to do and we must do it well. We will be able to take the second step only when we have done a good job in the first step. That is to say, when the masses of the people are conscious, our responsibility is to guide them in action, in organizing and in struggle. When the people have been organized and they have waged struggles, in the past, we must proceed from their actions and enlighten them to become conscious again in the present. In this way we will be able to guide the masses step-by-step in their struggles for the basic slogans put forth by the party. This is the only complete role played by us communists, the advanced elements of the masses of the great people and great persons. There is no other role but this. If some people want to display their roles more fully, they may consequently make mistakes or turn to heroism, commandism, running things by themselves without consulting others or resort to bestowing favors." [End passage in italics]

He continued: [Begin passage in italics] "In the cause of the liberation of the masses of the people, communists must and can only act as their guides and must and can in no way become the "heroes" to replace them in making revolution. In carrying out revolutionary struggles, the broad masses of the people urgently need guides that are determined and have far-reaching views, because having good guides constitutes a necessary condition for the victory of the people. But the people do not need the "heroes" to replace them in making revolution because such "heroes" who are divorced from the masses will not be able to accomplish any cause of the liberation of the people." [End passage in italics]

This delicate explanation of Comrade Liu Shaoqi shows the correct relations between the party and the people; it also shows the true meaning and nature of the party's leadership. He said that the party can only display its role as a guide in enlightening the consciousness and further consciousness of the people. There is no other role. He said: "If some people attempt to display more roles, roles of

the party, they may make mistakes." All these words are by no means groundless; they represent a high point in the experiences gained by our party during the long period in guiding the broad masses of the people in waging revolutionary struggles.

The party's leadership differs from administrative leadership. Comrade Mao Zedong pointed out in "On Correct Handling of the Contradictions Among the People":

"In order to be able to effectively carry out production and study and to live in an orderly way it is common knowledge that the people demand their own government, leaders in production as well as leaders in cultural and educational organizations to issue various proper and coercive administrative orders; without such orders it would not be possible to maintain social order." But the party's leadership is totally different from administrative leadership. Comrade Mao Zedong said in "The Question of Political Power of the Base Areas Resisting Japanese Aggression": "Having the power of leadership does not mean that we should shout it as a slogan the whole day long, nor does it mean arrogantly ordering the people to obey us. It represents a correct policy of the party and its own exemplary work; it means to persuade and educate the people outside the party so that they will be willing to accept our suggestions."

During the years of the revolutionary war when we were carrying out underground struggles under white terror, our party did not hold political power except in the base areas. That is to say, our party did not have "actual power" that was incessantly thought of by some comrades. However, we led hundreds of millions of the people in overthrowing the three big mountains that were suppressing the people, and we finally founded the great People's Republic of China. What does the party rely on in realizing its leadership? It relies not on its own power but on the principles and policies that represent the interests of the broad masses of the people. What method does the party resort to in carrying out its leadership? [The party] relies not on administrative order but on the method of persuasion and education, on propagating and organizing the masses and influencing and leading them in carrying out its own exemplary deeds. By relying solely on this, the party was able to make the whole people consciously listen to and follow it in realizing the great task of the new democratic revolution.

Our party became the ruling party after the liberation of the whole country and it has enjoyed high prestige among the people. Closely following the party, the people across the country have launched great struggles in carrying out socialist revolution and socialist construction. The position and tasks of our party have changed since it became the ruling party. But the nature of the party and its relations with the masses have remained unchanged. It can be said that the leadership of the party is still displaying the role of a guide. But because our leadership system did not in a certain period differentiate party work from administrative work, the two have been mixed for a long time, and this system is in fact a system under which the party is also engaged in administrative work. As a result, some comrades have gradually lost the glorious tradition of the party, and intentionally or not, they have become rulers of the people issuing orders instead of persuading and educating them, and they have resorted to administrative leadership to replace ideological and political leadership. To "replace administration with party" is in fact also to "replace party with administration," and this has resulted in weakening and even abolishing the party's leading role. If this abnormal situation continues, the party is likely to degenerate and become itself in opposition to the people. We must clearly sense the danger of this situation.

Our party's general task in the new historical period is to unite the people of various nationalities throughout the country and mobilize all positive factors so as to go all out with one heart and one mind, aim high and achieve greater, faster, better and more economic results in building a modern and powerful socialist country. Realizing this very arduous task can be compared with the revolutionary war to overthrow the oppression and rule of imperialism, bureaucrat capitalism and feudalism. Whether this mission succeeds or not also depends on whether the party is able to mobilize the whole people ideologically and politically and to organize them so that they will be conscious in making contributions to the realization of this historical task.

Basically the leading role of the party is that mentioned by Comrades Mao Zedong and Liu Shaoqi, that is to enlighten the people to become conscious and then conscious again and to lead them to liberate themselves. Concretely speaking, the tasks of different historical periods have different natures. The task of the party during the period of the revolution was to lead and organize the masses to defeat the enemies; but its main task during the construction period is to establish and constantly perfect the socialist democratic system, lead and support the broad masses of the people in exercising their rights as the masters of their own house and to consciously manage the state, enterprises and all other causes so as to accomplish the great task of building socialism.

The socialist democratic system includes political democracy and economic democracy. The nature of the current reform of the economic system is to establish an economic democratic system of socialism. The results of this reform will realize the presumption of Marx and Engels that our enterprises are united organs composed of free and individual producers on an equal basis, while social economy is a big union of all united organs and all free producers consciously carrying out their social labor under rational and unified planning. To realize such an economic system with democratic union and democratic management cannot but rely on the consciousness of the hundreds of millions of laboring people. Reform of the leadership system of enterprises according to the principle of separating party work from administrative work is needed not only in strengthening the party's leadership but also in realizing such a democratic economic system.

Some people have held that since enterprises are grassroots units with production as their main task, if party committees do not grasp production they will have nothing to do. Is this a fact?

The party committees in enterprises are the party's grassroots organizations and they represent the leading core of the ideological and political work of these enterprises. Separating party work from administrative work will help to overcome the tendency of confusing the party's work with administrative work and of the former replacing the latter. It does not mean discarding or weakening the party's leadership; on the contrary, it sets a higher demand on party organizations in carrying out ideological and political leadership over various organs and the broad masses of the people in enterprises so as to guarantee that the party's principles and policies are implemented in enterprises. But it does not mean that party committees no longer care about production and administrative work; it means that the party committees do not directly interfere with but rely on the method of persuading and educating the masses through the strength of party organizations so that they will be able to improve the efficiency of their leadership. It also means that party committees will have more work to do.

/First, party committees must guarantee that party's principles and policies are conscientiously implemented in enterprises./

The party's political leadership over enterprises is mainly shown in the leadership over principles and policies. The party's major principles and policies are worked out by the Party Central Committee. Some principles and policies are announced or passed down through legal forms by government departments under the leadership of the party. With regard to these, party, administrative, trade union, youth league and other aspects within an enterprise all have the responsibility to implement them.

Party committee secretaries have the responsibility, on behalf of the committees, to make political reports to workers' congresses or plenary sessions, to talk about situations and explain principles and policies from the point of view of enterprises and point out the orientation of these enterprises. The party committees may make suggestions with regard to the topic of workers' congresses and, through persuasion and education by the representatives of party members, guarantee the implementation of the party's principles and policies and government laws and orders. Though administrative, trade union and youth league organizations in enterprises are not subordinate to the party committees, the latter still have the responsibility to acquaint themselves with the work of these organizations so as to help them correctly implement principles, policies and laws and orders.

/Second, it is necessary to strengthen the building of party ideology and organization and display the vanguard and exemplary role of party members./

In order to enable party committees to guarantee the implementation of the party's principles and policies in enterprises, they should have a good party work style and be able to display the vanguard and exemplary role of party members. If party members do not really understand the principles and policies of the Party Central Committee, comply in public but oppose in private, and are in a state of passive resistance or if they depart from the masses or take advantage of their power to seek private interests and resort to other unhealthy deeds, they will not be able to lead the masses in making progress. Therefore to strengthen the building of party ideology is an important premise for strengthening the party's leadership.

As party committees do not carry out direct administrative leadership over the work of enterprises. In order to guarantee the implementation of the party's principles and policies, the committees cannot but rely on the strength of their own organizations and the vanguard and exemplary role of party members to educate and unite the masses so that the broad masses of workers will be willing to consciously accept the party's leadership. In the past, as the work of the party was confused with administrative work, the party committees mainly concentrated their efforts on production and administrative work. As a result, they did not care about party work which seriously hindered the work of party building. With the division of work between the party and administration, the former will be able to concentrate its efforts on party building so that the party organizations will become organized and disciplined vanguard ranks that are the first to bear hardship and the last to enjoy comfort and have a close relationship with the masses.

/Third, rely on the whole body of party members and do a good job of ideological and political work in enterprises./

Persuasion is the basic method of our party in leading the masses and it is a party discipline that each party member must unconditionally implement the decisions of the party. But the party cannot force the broad masses of the people to follow its decisions. Party slogans can be turned into conscious actions of the masses only through the party's ideological and political work and mass work. If it resorts to coercive directives, superficially it will seem that the party is exercising leadership over everything, but actually such leadership has no vitality.

Both party members and the masses of nonparty members have the obligation to observe and implement government laws and orders. The responsibility of party members is not only to display their exemplary role but also to carry out ideological and political work among the masses so that the latter will be able to understand the relevant laws and under this situation party members will take the lead in observing and implementing the laws and orders together with the masses.

In order to do a good job in ideological and political work in enterprises, party committees must organize workers to study political theory in a planned way and to launch various lively activities of ideological education. At the same time, they must also rely on the whole body of party members to go deep among the masses to solicit their opinions, understand the ideological situation of the masses and talk with them individually in a bid to carry out meticulous ideological work so that both party members and the masses will spare no efforts in realizing socialist modernization with one heart and one mind.

/Fourth, support and guide the masses of staff and workers to display their role as masters of their own house and to correctly exercise their powers of democratic management of enterprises./

To realize democratic management of enterprises is an important step of the party in perfecting the socialist democratic system.

Since the founding of the PRC, under the leadership of the party, we have accumulated rich experiences in managing enterprises democratically. Most enterprises are still carrying out the workers' congress system under the party's leadership and a few are trial-implementing the method of dividing party work from administrative work and expanding the powers of workers' congresses so that they will become the top management organizations of enterprises and will have the power to decide production policies and management within the range defined by state law and under state planning.

Party committees must support and guide the workers of all enterprises in carrying out their powers of democratic management and regard this work as one of their main tasks. Following its constant perfection and development, the power of the workers' congresses may be expanded while party committees mainly strengthen their leadership over ideological and political work.

In implementing the democratic management of enterprises, it is necessary to correctly handle the relations of the interests among the state, the enterprise

and the individual. Party committees must guide and educate the whole body of workers to understand the mutual relations between the overall interest and partial interests and between intermediate interests and long-term interests, to defend the proper right of both the enterprises and themselves and to prevent departmentalism and individualism from developing. Another question is to correctly handle the relations between democracy and centralism within an enterprise. While democracy must be fully displayed it is also imperative to strengthen centralized and unified command headed by the factory director (manager) over production and technological management on the basis of democracy so as to meet the objective needs of socialized mass production. Party committees must educate the whole body of staff and workers to observe labor discipline, implement rules and regulations and respect the power of the centralized and unified command of the factory director.

Fifth, display the role of mass organizations such as trade unions and the CYL and coordinate the relations among the party, government, trade unions and CYL.

Mass organizations such as trade unions and the CYL are helpful in assisting the party to propagandize and organize the masses. In strengthening the party's ideological and political leadership over enterprises it is necessary to display the positive role of these organizations. As the core of ideological and political leadership over enterprises, the party also has the responsibility of coordinating the relations among party, government, trade unions and the CYL. Party committees may convene liaison conferences of the party, government, trade unions and CYL or enlarged meetings so as to understand the situations and problems of various aspects, unify ideological understanding and coordinate work so that various aspects will be united in their efforts to fulfill various tasks of state planning and enterprises.

The reform of the leadership system of enterprises is an important part of improving the leadership system of our party and country; it is also an important content in the reform of the economic management system. We are confident that under the leadership of the party committees at various levels and by persisting in emancipating the mind, seeking truth from facts, consciously summing up experience and lessons and daring to be innovative, we will be able to create a more perfect leadership system for enterprises that accords with the new historical period and make greater contributions to the strengthening of the party's leadership over enterprises as well as to the realization of socialist modernization.

CSO: 4006/488

NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON DISTRIBUTION, REWARDS

HK080856 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 81
pp 58062

[Article by the Shoudu Iron and Steel Company: "Uphold the Principle of Distribution According to Work and Properly Practice the Reward System"]--note passage within slantlines denote boldface type]

[Text] Under the direction of the correct guideline defined in the 3d plenary session of the 11th CCP Central Committee, our company officially resumed the reward system in the fourth quarter of 1978. Since then, we have quite conscientiously eliminated the influence of "leftist" thinking, combined the strengthening of ideological and political work with the amplification of the responsibility system and the practice of the reward system, and banned the reckless issuing of bonuses and equalitarianism; thus enabling the principle of distribution according to work to be carried out better, in bringing the function of bonuses into full play as an economic lever and mobilizing the socialist initiative of the broad mass of workers and staff by strictly enforcing the state's regulations concerning the reward level. We have achieved fairly good economic effects so far.

The principle of distribution according to work is one of the basic characteristics of socialism. However, people cared not conscientiously carry out this principle for a long time and the tendency of equalitarianism in distribution was really serious due to the influence of "leftist" thinking on economic work. The situation became worse during the 1-year turmoil when the principle of distribution according to work was defamed by the cliques of Lin Biao and the gang of four as "soil which fosters capitalism." During the period between the smashing of the gang of four and the third plenary session, the problem of bonuses still remained a forbidden zone in the economic field because of the trammels of the "two whatevers." When we decided to resume the reward system in the fourth quarter of 1978 and set up prizes for excellence in the complete chain in some plants and mines, some people even publicly criticized us for "intending to buy 'the four modernizations' with bonuses" and "resuming revisionist material incentives," and hence shook the conviction of some leading cadres in our company. Confronted with this situation, we armed ourselves with the guideline of the third plenary session, and resolutely enforced prizes for excellent in the complete chain of production. In the meantime, we embarked on discussions concerning the criteria for truth among all the staff and workers and successively at the end of 1978 and in the second half of 1979. We tried to lead them to link the discussion with ideological reality,

centering on the question of whether the reward system based on the principle of distribution according to work should be practiced, so as to eventually correct misunderstandings and reestablish the correct conviction. The discussion achieved a breakthrough on the issue concerning the forbidden zone of reward, and the cadres at different levels confirmed their conviction in carrying out the reward system.

However, that one dares practice the reward system does not mean that one can correctly practice it. Since the influence of the "leftist" practices of egalitarianism and eating out of "a big pot" have lasted for a long time and become deeply rooted, "leftist" thinking has always persisted in showing itself almost every time we move a single step forward in carrying out the reward system. Therefore, in order to correctly carry out the reward system, we have to struggle all the way against "leftist" thinking and insist on unremitting education on distribution according to work for cadres and the masses. Over the last 2 years, we have reached a relative consensus on solving the following problems:

//First, is the bonus a fixed income or encouragement for work in excess of the quota?//

We began to enforce the reward system of winning prizes for excellence in the complete chain of production in a number of major plants and mines in the fourth quarter of 1978. Under this system, those major productive plants or mines are chosen as the "dragon heads," and the staff and workers of all auxiliary departments which directly coordinate the "dragon heads" are grouped together respectively in accordance with the production processes to form units of "one dragon" for prize appraisal. There are 10 "dragons" in the whole company. The assessment of such a reward system is based on 2 key points. The first point is comprehensiveness, in other words, the overall economic effects of the "dragon head" must be comprehensively assessed, which include various norms of technical economy such as output, quality, variety, consumption, and on on. For any norm not attained, the bonus for everyone who is in the chain will be reduced. The second point is "excellence," that is to say, the reward standard must be worked out in relation to the average advanced level. Those who attain the standard and win the championship of their trade in the whole country will get double prizes; those who win the championship yet fail to attain the standard or attain the standard yet lose in the championship competition will only get lesser prizes. The assessment standard is a floating one; as the level of the champion in the same trade rises month after month, the assessment standard will be raised correspondingly. Obviously, it is rather difficult to win the prize under this reward system. Therefore, there arose a lot of misgivings among the staff and workers. Some cadres, in consideration of the low salary level of many staff and workers, always tend to increase the standard for them winning the prize and reduce the chance of losing bonus. Some staff and workers prefer to turn the winning prize for excellent in the complete chain into individual prizes for various single items, and get rid of the assessment of overall economic effect. So, as bonuses are to be issued when any single norm is attained, "the West will light up though the East does not," and their income can be ensured. Some comrades have asked for a lower standard for rewards. They reckon that bonuses should be issued only if the state plan is accomplished; the bonuses are to be increased if a high standard is achieved, yet not to be reduced if the championship is not won.

After analysis, we believe that all the abovementioned thinking is the manifestation of egalitarianism in the reward system, and that the focus of debate is on the nature of the bonus, the essential question of whether the bonus is regarded as the encouragement for work in excess of the quota or as fixed income and welfare payment. For this reason, after having reached a common understanding within the leading group, we began to carry out ideological education of cadres and the masses, centering on the understanding of the nature of bonuses. The emphasis was placed on the following points. 1) The bonus is an encouragement for work in excess of the quota, not a fixed income, still less is it a welfare payment to staff and workers. To complete the state plan is just to fulfill one's basic duty. It is a basis for salary calculation but not for bonus calculation. 2) The assessment of work in excess of the quota must be based on that of the overall economic effect. Only on the premise that the economic revenue of the state is increased, can enterprises retain more profit and individuals get more bonus. 3) For bonuses to promote the improvement of production technology and administration and management, the assessment criteria must be set above the average advanced level and be subject to change. 4) As the prize for excellence in the complete chain embodies the abovementioned basic principles of the reward system, it is an advanced and reasonable system which should be upheld.

As the leading cadres at different levels have reached a common understanding on the nature of bonuses, the leading groups of many units which used to actively call for the lowering of assessment criteria in the name of "representing the voice of the masses" have now turned to strengthening management with the support of the masses and are striving to create a new level and reach a high standard in an effort to win the championship. For example, the steelworks linked the 4 norms stipulated by the company for winning the first prize with other economic norms, adding up to 13 norms of 9 types altogether, changed from big to small, enforced them at every level, and put forth 3,471 assessment standards for all 1,059 workers in the plant according to division of labor in accordance with the post responsibility system. The assessment is strictly related to the standards and linked to the reward system, and the bonus is calculated according to division of labor. As there are standards to be aimed at in working, working results are subject to assessment, rewards and punishment are based on regulations, and the post responsibility system is solidly carried out, the production level has been boosted. In the 2 years from 1978 to 1979, our company achieved national supremacy for three of the technological norms including the capacity factor of steel conversion, the consumption of iron and steel materials and the average life span of furnaces, which also reached the world advanced level. The function of rewards in raising production has further been brought into play since we vigorously popularized throughout the company the method of managing steelworks centered around the post responsibility system while standards, assessment, and rewards and punishment are combined three-in-one.

//Second, is the bonus to be distributed equally or differentiated according to the extent of the contribution?//

In our enterprise, because of the difference in division of labor, there are differences in responsibility and contribution between the major productive plants and mines and the auxiliary units, between major posts and minor ones, between cadres and workers, between leading cadres and general ones. There is a difference in efficiency between two persons even though both of them are working at the same post. Only by

taking these factors into account in distributing bonuses can the principle of distribution according to work be realized. However, due to the influence of egalitarianism, we had to face up to an intense ideological struggle when we were ready to differentiate the amounts of distributed bonuses according to the differences in responsibility and contribution and based on the assessment of everyone's results. Some advanced staff and workers who were making conspicuous contributions were wholeheartedly in favor of such a practice, but worried that bigger bonuses would lead to "divorcement from the masses." Those backward staff and workers, in particular those who were doing badly in their work and used to profit from the egalitarian practice of "everybody sharing a spoon of soup," really had a strong aversion to this since they could no longer out of a "big pot" and get a "bonus for peace and tranquility." They were afraid that the strict assessment and the bonus calculation according to division of labor would expose their backwardness; some of them even defamed the methods of assessment, and reward and punishment, as "local policies" exclusively invented by the Shoudo Iron and Steel Company. Some leading cadres worried that the differentiation of bonus distribution would "expand bourgeois rights," and believed that equal distribution had better be adopted so as to "minimize contradictions and do the job well."

To cope with these circumstances, we enforced the education on distribution according to work once again. We quoted first of all from volume 10 of "Manuscripts of Lenin" the discussions concerning the settling up of the individual responsibility system, the improvement of working efficiency and the practice of a strict system of rewards and punishment, compiled all these quotations and then printed and distributed them to the basic levels in order to vigorously propagandize the great significance of carrying out the three-in-one management system of standards, assessment, and reward and punishment. Next, in conjunction with the trial-point expansion of enterprise autonomy which was under way in the Shoudo Iron and Steel Company, we tried to elaborate on the fact that the amount of bonus is dependent upon how well an enterprise is operated since the system of retaining a portion of profit has been adopted in the enterprise. In order to open up a source of bonus, every worker and staff member has to work hard at his own post to improve the economic effect of the whole enterprise. The more products the state can purchase, the more profit the enterprise can retain and the more bonuses are available. The three-in-one method of standards, assessment and reward and punishment is really a good one, which directly links the economic effects of an enterprise with the working efficiency of everyone and the amount of bonus for everyone, and embodies the conformity of interests between the state, the enterprise and the individual. Finally, we have reiterated the harmfulness of egalitarianism and the advantages of the discrimination between rewards and punishment. We have elaborated on the question not only from the angle of theory but also from that of practical experience. Not only have the leading cadres talked about the problem but also the masses have been motivated to engage in the debate. Many cadres at the basic levels and the masses have cited numerous facts to show the encouraging changes emerging after the responsibility system had been linked to the reward system. Now the examples of full work attendance and full working hours have been increased, while those who shirked the job on the excuse of being sick have become fewer and fewer. Accidents in production have been reduced as more people have started to observe the production regulations and discipline. More people have become conscientious and responsible while those careless and perfunctory people have become fewer. More people have begun to be concerned for the collective and production while those who are concerned only for themselves have become fewer. There is another conspicuous manifestation of

"leftist" thinking in the distribution of bonuses. For a long time, it had become an understood rule that the reward level for cadres, especially for leading cadres, should be lower than that for workers. It seemed that a "privileged stratum" would be formed and "revisionism" would revive if cadres took more bonus than workers did. In order to break through this forbidden zone, in the second quarter of last year, we widely organized cadres of various types at different levels to work out detailed working regulations according to the division of duties and working process, and made them the basis for the appraisal of cadres' work and for rewards and punishment. On the basis of strictly inspecting, checking and accepting the work of cadres according to the duty responsibility system and the detailed working regulations, we began to enforce step by step the duty prize for cadres, raise the bonus level for them, and differentiate the reward levels in accordance with their tasks and responsibilities. This reform of the reward system provoked yet another debate among the masses. Some people said, "the cadres just sit in the office and do not sweat their guts out, yet take more bonus than we workers do. What an unreasonable thing it is!" Some cadres themselves also felt that they were in the wrong, they say "sharing more bonus is nothing more than bringing vexation on oneself. It just makes us unable to speak justly and forcefully and makes our work more difficult." To cope with such thinking, we unfolded once again the education on distribution according to work.

We quoted from Marx' "Das Kapital" the expositions on the indispensability of management in enlarged production and the duality of management, so as to support our argument that the management labor is an important type of productive labor under the socialist system, and management personnel are also one of the component parts of the proletariat. By criticizing the old erroneous "leftist" views that negate enterprise management and revealing the harm they brought about in practice, we convinced everybody that the cadres, though not sweating out their guts like workers, do make a contribution in all sorts of professional management work which is really indispensable. We also made an evaluation of the outlay in issuing duty bonuses to cadres, showing that the average bonus amount for cadres would still be less than that for workers who made conspicuous achievement although we had raised the bonus level for cadres. The workers found the truth at last through detailed evaluation. They said, "The cadres come to work earlier and leave later, taking on heavier tasks and greater responsibilities, they absolutely deserve to share more bonuses, and this completely conforms with the principle of distribution according to work!"

As we have upheld the principle of more work more pay and banned the egalitarian practices in bonus distribution, we have achieved great success at the expense of less bonuses, and the enthusiasm of the staff and workers has been raised higher and higher. People say, in the past bonuses were distributed either in a way to "taking turns to be the dealer" or according to the leading cadres' impression of each workers; but the situation has been changed now, the amount of bonus depends on each person's contribution, the evaluation of the contribution is based on assessment, and rewards and punishments are fairly balanced. There were 19,483 persons participating in the competition for the first prize for excellence in the complete chain in the company last year. The outlay for regular bonuses amounted to 2.93 million yuan, equivalent to a standardized average sum of salaries for 2.78 months; everybody shared 12.52 yuan a month on the average. This conforms to the State Council's regulations by which a well operated enterprise can issue in 1 whole year a total sum of bonuses not exceeding the sum of salaries for 3 months, with the authority of the department concerned.

//Third, should the assessment on reward standards be strictly practiced?//

Only by the strict assessment of reward standards can egalitarianism be prevented in the distribution of bonuses. For this reason, in August last year we convened a congress of staff and workers in which the decision for stricter assessment of reward standards was adopted and stress was put on the 100-percent enforcement of the system. All offences against the system of regulations, whether or not they have caused accidents or losses, have to be recorded and reported, and the offenders will be disqualified from accepting bonuses for that month. A disturbance arose as soon as the resolution was announced. Those who used to overlook the organizations and discipline and have serious anarchic tendencies had a particularly strong aversion to this measure. Some said, "It is too absolute a deed to carry out the rules and regulations by 100 percent. To assess like this is really too strict." Some others said, "Those cadres are trying to bind our workers." Feeling the great pressure, team and group leaders and cadres were afraid that the workers would criticize them for applying the means of "controlling, blocking and oppressing." Hence, some of them never recorded or reported any offences against rules and regulations, and tried not to offend anybody; some tried to gloss over faults by attributing them to objective conditions and feared not reduce the bonus justly when it was found that some workers had not fulfilled the assessment standards. To cope with these circumstances, we unfolded once more the education on the principle of distribution according to work, emphatically solving the problem of hesitation in strictly carrying out the assessment, and criticized the "seeking good relations with all and sundry at the expense of principle" and anarchic practices.

Making use of the basic concept which Engels elaborated in "On Authority," we pointed out to the masses of workers that strict management is an objective requirement for enlarged production. We propagandaized a well-known saying by Engels, "at least in terms of working hours, we can put up such a note at the main gates of the plants: Those who enter by this gate please give up all autonomy!" In the meantime, we pointed out that the fear of strict management is an expression of small producers' individualistic aversion to discipline while carrying out the rules and regulations by 100 percent is the duty and responsibility of the working class. On the other hand, we also criticized the once popular erroneous argument which only put emphasis on "abolition" and "revolution" and overlooked "establishment" and "construction" concerning rules and regulations. We mobilized the cadres and workers to draw bitter lessons from examples of offences against rules and regulations, which caused accidents, to sum up experience from practice of strict enforcement of rules and regulations, which led to the stabilization and growth of production, to make clear the truth that "being strict is low, being lax is doing harmful." So we made the cadres and the masses understand that to allow offences against rules and regulations to pass unpunished seems outwardly to be "concern" for the interests of the masses of workers, but actually means dereliction of duty for the workers' safety; those cadres who "seek good relations with all and sundry at the expense of principle" are in fact bad cadres.

//Fourth, in raising the reward level, should we simply raise the amount of bonus, or further bring into play the reward system as an economic lever?//

Apart from the first prize for excellence in the complete chain awarded to the major plants and mines and those posts directly coordinating with them, and the

duty bonuses designated to cadres, there are 26,000 or more staff and workers of auxiliary units receiving an all-inclusive bonus whose level is lower than the former two by around one half. At the beginning of this year, when convening the congress of staff and workers to work out the reward scheme, we planned to adopt a modified all-inclusive reward system to properly raise the reward level for this section of people. An ideological struggle was then unfolded between the opinion to uphold the principle of distribution according to work and that of practicing egalitarianism, centering on the problem of how to raise the reward level. In accordance with the principle of distribution according to work and more work more pay, these auxiliary productive units cannot win a raised bonus level unless they can ensure the completion of the assigned production tasks, manage to improve labor productivity and open up new ways of production, and thus increase the state's profit. However, the leading cadres of some auxiliary plants and mines, worried only about bonuses and regardless of their share of contribution, just look forward to simply raising the amount of bonus and do not want to set practicable advanced standards of assessment. In promises to the workers of their own units, some people even said, "I have got to fight for bonuses for all of you even if it means losing my job as secretary or director." To cope with these problems concerning ideological understanding, we organized the leading cadres of plants and mines to unfold a discussion on how to raise the reward level, and tried to guide them to make it clear that bonuses are not a welfare offer but an economic lever to enhance production. The raising of the reward level must be accompanied by the raising of the assessment standards for rewards. If we simply raise the amount of bonus, the bonus will not be able to function as an economic lever. With a common understanding reached, we organized those auxiliary units to work out, according to their own specific conditions, concrete schemes to properly raise the bonus level on the premise that the assessment standards are raised and more wealth is created for the state, thus we improved the all-inclusive bonus and mobilized the initiative of the staff and workers in broadening the sources of income and reducing expenditure. For example, when the original all-inclusive bonus system was in force in the electricity plant, every worker could get 6 yuan a month if he fulfilled the planned task. Starting from February this year, we replaced the old system with a new one which links the amount of awarded bonus to the electricity supply rate reward issued by the electricity supply bureau, on the premise that all the assessment indices are fulfilled. As the reward system has been modified, the electricity plant has begun to make every effort to rationalize electricity supply and reduce the loss of power in actively coordinating with the departments concerned. The comprehensive electricity supply rate was 0.94 in January, and was raised to 0.96 in February and March. The electricity supply rate bonus was 36,000 yuan in January, and rose to 87,000 yuan in February and 102,000 yuan in March; the average bonus per month for every worker or staff member was 6 yuan in January, 8.1 yuan in February and 9 yuan in March. Now the economic gain of the enterprise has become more eminent since, in modifying the reward system, we have combined economic responsibility with economic effect and economic interests, "awarded people according to their contributions," fairly discriminated between rewards and punishment, and thus given full play to the function of bonuses as an economic lever, and pushed ahead with the mass drive of broadening the sources of income and reducing expenditure. Compared with the same period last year, the whole company has achieved a growth in profit of 15 percent in the first quarter of this year, even though the output of steel has decreased by 4.41 percent since the state has reduced the production quota. A good situation of more profit for less output has taken shape.

To meet the requirements of economic readjustment, the quota of steel and iron output set by the state for our company this year has been cut to a lower level than last year. Facing this new situation, egalitarianism did not miss the opportunity to emerge again. Some people thought that we need not strive any more for higher standards and the first prize since the quota had been lowered. They even announced that the first prize for excellence in the complete chain was a "leftist" mistake, and wanted to return to the old path of eating out of a "big pot." In order to refute these arguments, we clearly pointed out the following facts. 1) It is on the basis of the present production level which is close to or has even reached the advanced level at home and abroad that we are mobilizing the masses to create a new level and strive for the first prize. Therefore it is fundamentally different from the old practice of seeking a "high index" despite the objective practical conditions. 2) The first prize for excellence that we are practicing is designed to examine the comprehensive economic effects and is basically different from the "leftist" deeds of one-sided pursuit of output. 3) Although the output quota for iron and steel has been cut, we still have to strive for an increase in the production of those products such as rolled steel, steel tubes and so on which are needed for light industry, the textile industry and agriculture, while actively promoting the production of everyday consumer goods needed by the market. Although the production of iron and steel is confined, we still have to create a new level and strive for the first prize in the operation of blast furnaces and conversion furnaces. We would rather spend part of the time on maintenance than carry on production at a lower level, letting the enterprise be slack and perfunctory and the morale of the workers become lax. Aiming at a high level which is economically rational technologically practicable and actually possible, we have put forth a new objective of struggle this year, and also added some new assessment standards such as energy consumption for a process, administration of environmental protection, production of consumer goods, work to keep the surroundings of the factory green, and so on.

In practice, we have found that the tenacious struggle against egalitarianism must be upheld unremittingly so as to solidly carry out the principle of distribution according to work.

Practice over more than 2 years has enabled us to find out an effective way of upholding the principle of distribution according to work and carry on the struggle against egalitarianism. That is to closely combine ideological and political work with a strict responsibility system and a rigorous scheme of rewards and punishment. In the past, in handling the relations between these three types of work, we always emphasized "combination" on paper yet practiced divorcement in effect. When stress was placed on strengthening business management and linking the responsibility system to that of rewards and punishment, some cadres would always regard this way as the only means to push forward the work, or even misunderstand that ideological and political work was dispensable. Conversely, when stress was placed on ideological and political work and the construction of spiritual civilization, some other cadres would tend to relegate the responsibility system and the reward system, and be ready to return to the old path of "spirit is omnipotent." In fact, the responsibility system, the reward system and the ideological and political work are not at all in conflict with each other but are related to and complement each other. None of them is omnipotent and none can work independently. Of them, management is the basis of the various work of an enterprise. Without rigorous business management, rewards will lose their objective basis, and the principle of

distribution according to work will not be able to be actually carried out. The distribution according to work, which provides an enterprise with economic impetus, is the link between the interests of the state, the enterprise and the individual. It can turn a laborer's focus of attention from private material interests to those of the enterprise and the collective, and push him to actively engage in business management, and thus make the ideological and political work more convincing. Ideological and political work is not only the important guarantee for the enforcement of the responsibility system and the reward system, but also for the strengthening and improvement of the party's leadership and the construction of socialist spiritual civilization.

Over a long period of time, we failed to handle well the relations between ideological and political work, the responsibility system and the reward system. One of the important reasons for this, apart from the pernicious influence of "leftist" thinking, was the absence of a form to properly combine these three matters.

In order to solve this problem, since the fourth quarter of last year we have unfolded education to strengthen the sense of responsibility of staff and workers being masters of the enterprise, in combination with practicing trial-point "responsibility for one's own profits and losses." And this year, we are driving the campaign further while unfolding the discussion on the topic of "serving and being responsible to the people." In the campaign, we have paid attention mainly to the following matters. The first is to give an education of the revolutionary outlook on life and unfold the discussion on "who one is working for." We have propagandized the communist work ethic of "serving and being responsible to the people" to negate the hired-hand mentality of "looking toward money in everything." The second is to give an education about the conformity of the interests of the state, the enterprise and the individual, in combination with trial-point reform of the system. We tried to make the workers realize their status as masters and understand that they are working today first for the state, then for the enterprise and also for themselves. The third is to further amplify such democratic management committees as staff and workers' congresses, various democratic management committees, advisory committees, and so on, to enable the staff and workers to get a sense of being masters of the state and masters of the enterprise through real participation in management.

The educational campaign to foster a sense of being masters has organically bound ideological and political work, the responsibility system and the reward system together. This educational campaign was vigorously strengthened the sense of responsibility of the broad masses of staff and workers in politics and their enthusiasm and initiative in production. It has animated the responsibility system, provided distribution according to work with a basis, and also tightly combined ideological and political work with production management so as to make it more lively and increase its fighting strength.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON ECONOMIC MANAGEMENT SYSTEM

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[Article by Ma Hong [7456 3163]: "On Several Questions of Reforming the Economic Management System"]

[Text] Why It Is Necessary To Reform the Economic Management System

What is the economic management system? On the whole the economic management system is economic relations. The economic management system also includes economic management work, therefore, it involves the superstructure. But in essence, it is production relations, that is economic relations. And economic relations are relations of material interests.

Reforming the economic management system means readjusting and improving the economic relations, that is readjusting and improving the relations of material interests in the various aspects of the national economy. In the economy under the system of ownership by the whole people, there are the relations between the center and the localities, between the state and enterprises, between enterprises themselves, between workshops in enterprises and between enterprises and their staff and workers. Enlarging the autonomy of enterprises means readjusting the economic relations between the state and enterprises. Our state-run enterprises should all be relatively independent economic organizations. They should be economic cells that are full of vigor. Each state-run enterprise should have its own interests that are unified with and at the same time different from the interests of the state. We must see, accept and correctly handle this point. Only in this way can we correctly handle the relations between the state and enterprises, between enterprises themselves and between enterprises and their staff and workers, and only in this way can we bring the initiative in various fields into full play so as to serve the four modernizations.

The economic management system now carried out in China is a highly centralized system that takes administrative management as the dominant factor. Viewed from its basic form, this system is similar to the system carried out in the Soviet Union in the latter period of Stalin during the 1950's. Our country's practice in the past 30 years has proved that this system has quite a few drawbacks, which can be summed up in the following four aspects: First, enterprises have become subordinated to the administrative institutes at various levels, and the enterprises' relative independence is negated. Our enterprises are like the beads of an abacus, they can be pushed up or down by the various central ministries and by the various departments

and bureaus in the localities. These enterprises have little initiative. It is not that the enterprises do not want to have initiative, but our system has restricted their initiative. Second, the economy is managed according to the administrative system and administrative districts. They have formed their own systems and served the internal relations of the economy. For instance, our enterprises are managed according to conventional rules and regulations by the responsible departments of the center or the localities. In the main they exercise vertical relations, lacking horizontal relations. So many irrational phenomena have emerged. Third, too many plans and quotas are fixed by directives from above. Control from above is too tight. The producers cannot get in touch with the consumers directly. Production is divorced from marketing and demand. Thus, products are stockpiled in large quantities. On the other hand, many products are not marketable. Fourth, state monopoly for income and expenditure, holding "iron rice bowls," eating out of a "big pot," egalitarianism, economic irresponsibility and disregarding economic effect are the rule.

This economic system does not comply with the objective law for the development of the socialist economy. It is not suited to the requirements for developing the socialist commodity economy, to satisfying the people's everincreasing and ever-changing needs or to the requirements for getting the maximum economic effect with the minimum consumption of labor. Under this system, the state monopolizes the formulation of all plans, or purchase and marketing, or assignment and allocation of labor and of the use of income and the arrangement of expenditure. All this inevitably requires an integrated management system that is highly centralized, with administrative means as its dominant factor. It even refuses to use economic means to manage the economy. Under this management system or method, it is impossible to rapidly develop the socialist commodity economy. The situation in which our present economy is not brisk and economic results are bad is closely related to the drawbacks of our present economic system.

The reason why we have implemented this economic management system for a long period of time is the lack of understanding of the character of our socialist economy. Specifically speaking, in the past, we did not regard the socialist economy as a planned commodity economy, but actually as a natural or semi-natural economy. Now if we want to reform our economic system, we must have a correct understanding of the character of our socialist economy. This is the prerequisite for correctly solving the questions of orientation, principles, policies and methods for reforming the economic system.

How should we understand the character of our country's socialist economy? There are still different views on this question. A comparatively unanimous view is that China's socialist economy at the present stage is a planned commodity economy. Of course, there are persons who do not agree to this view. The central issue is whether the means of production exchanged under the socialist system of ownership by the whole people are commodities. Some comrades think that they are not commodities. Therefore they hold that the socialist economy is not a commodity economy. In the past, this viewpoint occupied a dominant position. There are persons who still hold on to this viewpoint.

In my view, China's economy is a planned commodity economy. Of course, this commodity economy is different in nature from the commodity economy of a capitalist

society. The capitalist commodity economy is based on the capitalist system of private ownership and it is unplanned. The system of public ownership occupies an absolutely dominant position in the socialist commodity economy, which is a planned economy.

Accepting the viewpoint that the socialist economy is a planned commodity economy constitutes great progress and a leap in theory. We know that the question of socialist commodity production has been under discussion for more than 100 years and that there has been much argument on this question among Marxists. In "Critique of the Gotha Program," Marx said that socialism is the early stage of communism and that it still retains traces of the old society. The traces of the old society Marx talked about are mainly meant that "bourgeois rights" are still retained in the principle of distribution according to work. At that time, the socialism Marx envisaged was based on highly developed capitalism. Under such socialism, there was no relation between commodities and currency. Marx failed to foresee that socialist revolution could win and socialism could be built in countries where capitalism was only moderately developed and even in a country like ours where capitalism was in its early stages and the natural economy still occupied a dominant position. To build socialism in a country like ours where the economy is so underdeveloped, it is necessary to fully utilize the relations between commodities and currency. In other words, the socialist economy at the present stage is a planned commodity economy.

We can also consider such a question as this: In the highly developed capitalist countries, when the working class has seized political power and built the socialist system, may commodity production and money be abolished immediately? Quite a number of Marxists are now considering this problem. In these few years, I have had the opportunity to go to Japan, the United States and several developed capitalist countries in West Europe on a fact finding mission. The comrades who took part in the mission had a common viewpoint that the economy of these countries is much more developed than what was described by Marx. Things are different from what they were 100 years ago. Marx did not foresee that 100 years later the capitalist economy would have developed to such a high degree. One hundred and five years after Marx wrote "Critique of the Gotha Program," there has been greater development in the productive forces of the developed capitalist countries than the period in which Marx lived. Even though the economy has developed to such a stage at present, can the proletariat abolish the commodity economy and currency immediately after seizing political power in these countries without bringing chaos to the economic life of the society? It seems it is not possible. If the term "currency" is changed to "labor coupon," which still plays the role of currency, what significance does it have? Many problems will certainly emerge, if currency, that is the commodity economy, is really abolished. The Mitaukoshi Department Store in Tokyo, Japan, deals with 500,000 types of commodities, while our country's biggest department store, the First Department Store in Shanghai, deals with more than 40,00 types of commodities and the Beijing department store deals with 24,000 types. There are 14,000 types of foodstuffs in a supermarket in a small city with a population of nearly 200,000 people on the outskirts of San Francisco. If the relations between commodities and currency are abolished, how would we effectively allocate these products? Human beings invented currency after long years of innumerable practice in life. Currency has given great impetus to the development of the economy of mankind. If we want to abolish it, we must have something more rational to replace it. This is no simple

matter. It seems that when the productive forces have not reached a highly developed stage, when labor has not become people's primary necessity, it is not so practical to abolish the commodity economy or to abolish currency. This viewpoint is a supposition, which must be proved in practice.

In his book "The State and Revolution" written before the October Revolution, Lenin quoted Marx's words and explained Marx's viewpoints in "Critique of the Gotha Program," which also advocated the abolition of the commodity economy and currency. After the October Revolution, the Soviet Union once implemented the communist economic system of the war period, mainly due to the imperialists' armed interventions and the civil war. But it does not mean that it was not related to the theory of the abolition of the relations between commodities and currency. The attempt to abolish the relations between commodities and currency under communism of the war period failed. Lenin summed up the experience and lessons and put forward new economic policies according to five economic components the Soviet Union had at that time and especially according to the situation in which a small commodity economy and small production were widely found. Under the new economic policies, they were to use the relations between commodities and currency to develop commerce and promote the rehabilitation and development of the socialist economy. Unfortunately, Lenin died too early, so he was unable to see the completion of socialist transformation. After the completion of socialist transformation, the Soviet Union did not have five economic components any more, but only a unitary socialist economy. Under such conditions, was the commodity economy still needed? It was too late for Lenin to answer this question, which Stalin had to tackle. Socialist transformation in the Soviet Union was completed under the leadership of Stalin. After the completion of agricultural collectivization, Stalin once pointed out that there were two systems of ownership, namely, the system of ownership by the whole people and the collective ownership system, two classes, the working class and the peasant class and that exchange was needed. But for a very long period after agricultural collectivization, Stalin did not explain or expound clearly whether the exchange between the two systems of public ownership was commodity exchange and whether the law of value could still be used. In this period, arguments about the above question kept going on in the Soviet Union. Until the latter years of Stalin, that is in 1952, he began to accept, in his book "On the Question of the Socialist Economy of the Soviet Union," that there were relations of exchange between commodity production and commodities in the two systems of ownership, and held that the law of value must be used. This was a conclusion after over 20 years of argument in the Soviet Union. In over 20 years prior to this, they did not fully use the relations between commodities and currency or the law of value, when handling the relations between the two systems of ownership.

In "On the Question of the Socialist Economy of the Soviet Union," although Stalin accepted that there were relations between commodities and currency in the two systems of ownership, at the same time he maintained that the means of production exchanged among state enterprises were not commodities. He further said that the law of value did not play a regulatory role even in the production of raw materials in agriculture. Stalin emphasized time and again that commodity production and the role of the law of value must be restricted. Therefore, we can say that Stalin never regarded or did not completely regard the socialist economy as a commodity economy, but to a very large extent, as a seminatural economy. According to this theory and understanding, the economic management system planned and carried out in the Stalin

era did not comply with the requirements of the commodity economy but to the requirements of the natural or seminatural economy; Stalin did not regard products as commodities and did not carry out exchange at equal value, but unified regulation by planning mechanism while refusing to carry out regulation by market mechanism. He adopted highly centralized management methods with administrative means as the dominant factor. This unified regulation by planning mechanism regarded the whole national economy as a factory. Lenin also said such things as changing the whole society into a factory. But now this problem seems very complicated. Changing the whole society into a factory will bring forth many problems. The purpose of our carrying out the highly centralized economic management system and of our abolishing the relative independence of enterprises is to make the whole society a factory. Under such a system, have many problems not emerged?

Stalin's theory and practice have affected China's socialist construction tremendously. The pattern of the economic management system designed and implemented under his leadership has also affected China tremendously. If we want to change this pattern, we must first break away from the theoretical foundation of this pattern, that is to break away from some erroneous and outmoded conventions. Now we have already had a breakthrough in theory. We should say it is an important result of emancipating the mind. Without this theoretical breakthrough, we would not have been able to propose and implement the reform of our present system. Many comrades have realized that not only the means of existence, but also the means of production are commodities; that not only exchange between the system of ownership by the whole people and the collective ownership system, but also the exchange within the system of ownership by the whole people itself is a commodity exchange.

Due to theoretical progress, not only the means of existence but also the means of production may enter the market. For instance, the Anshan Steel Works has opened a store that sells steel. This has never happened before. The mechanical and electrical products that entered the market through this outlet in 1979 accounted for nearly 20 percent of its total output. It has been estimated that the percentage will be higher in 1980. Some factories' mechanical and electrical products that have entered the market even account for 70 to 80 percent. Some people do not agree with the practice of bringing the means of production into the market. But viewed from practical results, it has actively promoted the development of the economy. This also shows that the economic system must be reformed.

II. The Orientation and Requirements of the Reform of the Economic Management System

The reform of the economic management system must be based on our country's actual condition, that is to say it must be based on our country's special characteristics. What are these special characteristics? The most basic characteristic is: China is a large country with a population of 1 billion people, among which 800 million are peasants. A series of problems have emerged herefrom. First, China has a very poor foundation to start with, due to the long domination by feudalism and imperialism. Although there has been great development in China's economy since liberation, the national per capita income is just more than \$200 on average. The average gross national product per capita in our country ranks lower than 120th among more than 140 countries and regions in the world. This is very low. Take the agricultural population as an example. In 1979, the average income from the collective was

only 83.4 yuan per person. In 27 percent of the production teams, the average income for each person was less than 50 yuan. Although the urban people earn a little more than the people in the rural areas, they are not well-off. A large population has large consumption and accumulation is confined within strict limitations. During the 30 years since the founding of the People's Republic of China, the average net increase of people has been 14 million per year. The average net increase of the agricultural population has been 11.6 million people per year. Even if family planning is implemented and the natural growth rate drops, there will be an increase of 12 million people per year in the future. Calculated according to the present consumption level, there will need to be an increase of consumption funds of 3 billion yuan, 6 billion jin of grain and 300 million meters of piece goods per year. Only when we have met the basic demands of the newly increased population with the yearly increased products, can we talk about improving the livelihood of the original population and can we talk about new investments. Second, China's commodity economy is not well developed. Although collectivization has been realized and the collective ownership system was established in the countryside long ago, its economy is fundamentally still a natural economy, its labor productivity and the commodity rate of its agricultural products are very low. China's main agricultural products are grain and 80 percent of the grain is consumed by the peasants themselves. After deducting the part of the grain resold by the state, the average commodity rate throughout the country is only about 15 percent. Of course, different regions have different rates. For instance, the commodity rates in the grain producing regions and the commodity grain bases are a bit higher. Commodity rates in the regions of industrial crops are also a little higher. But the surplus agricultural products yearly provided by each agricultural laborer are not worth more than 80 yuan, even though the prices of agricultural products have been raised. China's urban commodity economy is not well developed either. Because of the influence of the natural economy, we have not carried out well cooperation among specialized units, instead we have been keen on being "large and complete," or "small and complete." Therefore, the original production of socialization has become a natural economy that is self-sufficient or semiself-sufficient. Another point is that the development of China's economy is uneven. There are many large cities in China in which the economy is comparatively developed. Shanghai is such a city, which is about the same as New York, Paris and Tokyo. Of course, it is not as modernized as they are. Most of the regions in China are not highly developed. There are a few backward regions which still adopt slash-and-burn cultivation. If the world is divided into developed regions, developing regions and underdeveloped regions, then according to the level of development of the economy, our country can also be divided into comparatively developed regions, developing regions and comparatively backward regions. One more point is that the technological structure in production is multistratified. There is automation, semi-automation, mechanization and semi-mechanization. But most of the work is done by hand. The social economic structure is also multistratified. There is the system of ownership by the whole people, the collective ownership system, the individual ownership system, the combination of the system of ownership by the whole people and the collective ownership system and the state capitalist system of ownership of joint ventures. Have we not said that we must not deal with things indiscriminately? It is true, we must not, because various regions and various economic situations differ in a thousand and one ways.

To have a correct understanding of the country's situation is very important. We must solve this problem not only in the reform of the economic system but also in

the whole socialist construction. Comrade Chen Yun recently said: "Our country has a population of 1 billion people, among which 800 million are peasants. We are carrying out construction in such a country." We must understand this and pay attention to this difficulty. But there are not many people who soberly understand this. The most fundamental reason why we have met with so many setbacks and committee left deviationist mistakes in our socialist construction is that we lack a sober understanding of our country's basic condition.

Starting from this actual condition, the principles and orientation of the reform of our economic management system are, by holding on to the condition that the system of public ownership of the means of production occupies a dominant position and in accordance with the requirements of developing the commodity economy and promoting large-scale socialized production, to conscientiously use the law governing the economy, to break away from the administrative conventions and the ideological trammels of the natural economy and change the highly centralized state policy system into a combined policy system of the state, the economic units and the individual laborers with the state as the main component part; to change the unified planned regulation into correctly bringing into play the role of regulation by market mechanism under planned guidance; to change the economic management that mainly relies on administrative institutions and administrative methods into economic management that mainly relies on economic organizations, economic methods and economic laws and regulations in order to bring the initiative in various sides into play, rationally organize various economic activities and accelerate the building of socialist modernization with minimum consumption of labor and maximum economic effect.

First, we must change the highly centralized state policy system into a combined policy system of the state, the economic units and the individual laborers with the state as the main component part.

Our present economic system is basically worked out by the state. Enterprises have little decisionmaking power, and the powers of individual laborers are also limited. The purpose of expanding enterprise, autonomy is to let the enterprises have the necessary decisionmaking power. In addition, individual laborers should also have the necessary decisionmaking power.

Individual decisionmaking power generally includes two aspects. One is allocation, that is how to use salaries and rewards. This should not be controlled by the state. They should be allowed to buy what they like to buy (what is meant here is mainly consumer goods). But under our present economic system, individual laborers' decisionmaking power is also limited to a certain extent. For instance, some of our products are available only by coupons or tickets, even if you have money, it does not mean that you can buy what you like. Recently, we conducted an investigation in Guangxi. The peasants of Nanning, Liuzhou, Guilin and Wuzhou want to buy bicycles and sewing machines made in Shanghai, but they are not available. In many places, people have to draw lots or use coupons to buy bicycles or sewing machines. To use coupons shows that our commodities are not abundant and are in short supply. Under such circumstances, we have to adopt methods that can guarantee the most fundamental needs of everybody. This is not the characteristic of socialism nor the method that must be adopted in socialism. Under this method, the individual laborers' right to allocate their income is limited. Only when the economy has really developed and is really brisk and there is sufficient supply of commodities,

will there be room for personal choice in the purchase of commodities. Therefore, we must develop the commodity economy, enliven the economy and make the individual laborers fully realize their right to make decisions in this respect.

The other aspect of individual decisionmaking power is personal choice of occupation. Our constitution stipulates that each citizen has the right to work. But in the choice of occupation, each individual has little right to decide. In our present labor management, the state carries out unified arrangement and allocation. If you go to the labor bureau for a job, assignment, you will be required to work in whatever place is assigned by the labor bureau. It is no easy matter to find a job and it is even more difficult to choose a suitable one. The socialist principle is from each according to his ability, to each according to his work. From each according to his ability means to bring into play everyone's talents and given them the most suitable work to do and to that end, to let everyone have the right to choose the occupation they like. In the past, it was out of the question for us to talk about decisionmaking power. In the reform of the economic system, the grip on the above problem is rather loose. In other words, cadres and workers are allowed to make their choice or change their work within certain limits. This is beneficial to our economic development. Of course, our country has a large agricultural population and there is a great difference between the cities and the countryside. Therefore the state has to exercise the necessary control over the allocation of the labor force. But being the orientation of reform, individual laborers should have a certain right to decide in the above two aspects.

The enterprises should also have the necessary decisionmaking powers. The reason for expanding enterprise autonomy is that the enterprises are in need of the necessary decisionmaking powers. The trial-point enterprises that are now carrying out expansion of autonomy have obtained some rights in respect of retaining profits. But there are many irrational limitations as to how to allocate the retained profits. In production and marketing, personnel matters, the arrangement of work and planning, the enterprises still do not have enough autonomy. Within the limits permitted by state decrees and under the planned guidance of the state, the above various right limitations should be expanded step by step so as to give the enterprises the necessary decisionmaking powers.

The power for macroeconomic planning should be kept in the hands of the state. That includes the orientation for developing the national economy, the main proportions, the scale of capital construction, the orientation of investment, major construction projects and the rising range of the people's livelihood. For instance, the state should decide how much of the increase of the national economy should be used for accumulation and consumption, how much of the accumulation should be used for capital construction and on what scale the capital construction should be carried out. In the first 5-year plan, the proportion of accumulation in the national income was less than 25 percent and the proportion of consumption was a little more than 75 percent. Life at that time was good. During the "great leap forward," the accumulation rate was as high as over 40 percent. In 1978, the accumulation rate was also very high. It was over 36 percent. Because the accumulation rate was excessively high for a long time, more and more problems emerged in the livelihood of the people. In the 20 years from 1958 to 1978, there was little improvement in the people's livelihood. This was because of the wrong handling of the relations between consumption and accumulation. If we had made accumulation a little less and

consumption a little more, there would have been improvement in the people's livelihood. The correct policy of the state in macroeconomics is very important. Summing up past experience and lessons, we know we must correctly handle the relations between accumulation and consumption and the relations between construction and livelihood. For instance, we must have an accurate calculation on the increase of major products, revenue and expenditure, salaries, on the scale of capital construction and on how many coupons are to be issued. We must carry out well an overall balance in finance, credit, material, foreign remittance and accumulation and consumption. Otherwise, it will have an advanser effect on the development of the economy or it may even make a mess of the economy.

Second, we must change the unified planned regulation into fully bringing into play the role of regulation by market mechanism under the planned guidance of the state.

Since we have admitted that the socialist economy is a planned commodity economy, we must correctly bring into play the role of regulation by market mechanism under the planned guidance of the state.

Because the socialist system of public ownership occupies an absolutely dominant position and because the state's political power is in the hands of the workers, peasants and the representatives of the laboring intellectuals, the basic social needs can be controlled. This is why there is the objective possibility of carrying out planned guidance in the national economy. For instance, the state can control the proportion between accumulation and consumption in the national income, the scale of the country's construction and the rising range of the people's livelihood.

Of course, when carrying out regulation by planning mechanism, the state should not interfere in the enterprises' activities too excessively by administrative means. Instead it should pay attention to using economic levers such as taxation, prices and profits to carry out regulation. Under the prerequisite of holding on to the principle of carrying out the planned economy, we should correctly bring into play the role of regulation by market mechanism. This will help the national economy maintain its equilibrium persistently and conscientiously and avoid serious disproportion.

In view of the present situation in our country, the state's compulsory plan is indispensable. There must be compulsory indices for the production and allocation of some major products that are related to the national economy and the people's livelihood, such as grain, piece goods, coal, electricity, oil, steel and full sets of equipment. But at the same time the necessary economic means must be used as a supplement. The items, sizes and designs and colors of these products should be decided by the producers and the buyers. Production must be decided according to demand.

For most of the products, the state may set guiding indices instead of compulsory ones so as to let the enterprises have direct contact with the consumers and sign supply and sales contracts with them. On this basis, plans will be worked out and submitted to the department concerned for approval. In this respect, the state's responsibility is to provide the enterprises with market information and reference indices, given them instructions that they should correctly fix the development orientation of production and lead them by means of economic levers.

Third, we must change the economic management that mainly relies on administrative institutions and administrative methods into the economic management that mainly relies on economic organizations, economic methods and economic laws and regulations.

Only in this way, can the enterprises become relatively independent economic units that are no longer subordinate to the departments or the administrative institutions of the localities, and can they change the situation of "big and complete" and "small and complete." Only when we organize the enterprises according to the principle of cooperation among specialized units and of economic rationality, can we change the situation in which the national economy is divided into administrative departments and can we form a unified national economy in a planned and proportionate way. Only in this way, can we organize various economic activities in accordance with the requirements of the objective law governing the economy in order to achieve the best economic results.

It should be pointed out that, by criticizing the past economic management that mainly relied on administrative methods, this does not mean we should not adopt administrative means and methods any more. Under any circumstances, administrative methods are necessary to lead the national economy. The problem is administrative methods must be correct. In other words, they must comply with the requirements of the objective law governing the economy and at the same time be combined with economic methods. Especially at the present readjustment stage, it is all the more important to pay attention to the role and significance of administrative methods, because the national economy is seriously disproportioned and the role of many economic measures and levers has not been brought into full play. During the process of reform legislation cannot keep pace with the demands immediately and no complete set of economic means can be realized immediately. In addition, there is a distinct element of time involved in the readjustment period, so administrative methods are more effective than economic methods insofar as solving some problems is concerned. For instance, it is necessary to adopt administrative means in order to effectively prevent the tendency of blind construction and duplicate construction and resolutely carry out closing, suspending, merging and shifting in the enterprises that have incurred losses for a long time and consumed raw materials and energy to excess. Therefore, it will take time to change from economic management that mainly relies on administrative methods into economic management that mainly relies on economic methods. We must resolutely further enliven the economy, but we must also pay attention to administrative methods. The state must interfere in problems that are of great importance. We must combine well these two aspects and guarantee the smooth realization of the task of readjustment.

By carrying out such a reform, does it not mean that we are changing the socialist system of public ownership into the capitalist system of private ownership? No. Not only will such a reform not change the socialist system of public ownership, but it is beneficial to the consolidation and development of the system of public ownership. There is a fundamental difference between the capitalist commodity economy and the socialist commodity economy, that is, whether or not the labor force is a commodity. In the economy of the socialist system of public ownership, the labor force is not a commodity. At the present stage, we permit the existence and the limited development of the individual economy, because it is a subordinate and a necessary supplement to the socialist economy. It is also permissible to employ some apprentices in the individual economy. From the Marxist point of view, to

employ a limited number of apprentices cannot be branded as capitalism. In his "Das Kapital," Marx did some calculation. According to the situation at that time, to be a capitalist, one had to employ eight workers so that one did not need to take part in labor and could live by exploiting the surplus value of the workers. Now when we consider this question, we must base ourselves on the present situation. But to allow handicraftsmen to employ several apprentices does not after all mean that the labor force has become a commodity. Another difference between the socialist economy and the capitalist economy is whether money has become capital. In our socialist economy, money does not become capital. In joint-venture enterprises, foreign capital is allowed in China for the purpose of accelerating China's socialist construction. However, the socialist economy still occupies a dominant position in the whole national economy. The above shows that what we uphold are the Marxist line and the socialist orientation.

III. Some Thinking on the Pattern of a Chinese-style Socialist Economic System

After having been reformed, the pattern of our country's economic system is a Chinese-style socialist economic management system that is based on our country's actual condition. The general outline of this system mainly includes the following five points. First, expansion of enterprise autonomy, second, is carrying out various forms of economic integration, third, set up trade organizations, fourth, take developing the economy as the center, fifth, change the functions of administrative management institutions.

First, separate government from enterprises, delegate power to the lower levels and expand enterprise autonomy. This is the foundation of the reform of our whole economic system. On the whole it includes three requirements:

(1) Economically, under the condition that the enterprises have fulfilled the tasks put forward by the state, they may carry out independent accounting and adhere to the principle of responsibility for their own profits and losses so as to become relatively independent economic units that have internal motivation, external pressure and great vitality.

Enterprise autonomy must be expanded to the extent that they can carry out independent management and activities and so that they have independent accounting and responsibility for their own profits and losses, after having fulfilled the tasks put forward by the state. China's present socialist economy is still a commodity economy and enterprises are commodity producers and are the basic units that can directly give play to the role of production and exchange. Under the unified leadership of the state, the enterprises should have independent management and relatively independent economic interests. In this way, the enterprises can become dynamic organisms, can become economic cells that are full of vitality and can become the source of strength of the national economy.

By carrying out the principle of independent accounting and responsibility for their own profits and losses, will the nature of the system of ownership by the whole people be changed? I do not think it will. In the past, the fixed assets and circulating funds of the system of ownership by the whole people belonged to the state and were used gratuitously by the enterprises. Now the enterprises have become relatively independent management units, so the fixed assets and circulation

funds are used with repayment liabilities but still belong to the state. The enterprises only possess and use them and the nature of the system of ownership by the people has not changed. The right to use and the right to own can be separated under certain conditions. After the October Revolution, Lenin said that the land belonged to the state and could be possessed by those who cultivated it. He said it was not the transfer of ownership rights but the transfer of allocation relations. Lenin once proposed to rent some of the state factories to foreign capitalists, which was to be called state capitalism. This is the separation of the right to own and the right to use.

When the enterprises under the system of ownership by the whole people carry out the principle of independent accounting and of responsibility for their own profits and losses, do the new fixed assets formed by self-accumulated funds belong to the system of ownership by the whole people? This problem merits deeper study. In my opinion, the new fixed assets formed by self-accumulated funds of the state enterprises should still belong to the system of ownership by the whole people. But to encourage the enterprises to tap their potential, renovate, restructure and expand reproduction by means of self-accumulated funds, the state should not charge them for the use of the new investments for a given period. After a given period of 3 to 5 years, the state may reduce the cost. In this respect, the fixed assets are treated in a different way from those of the original system of ownership by the whole people. If the enterprises are required to pay the same cost as that paid for the use of the fixed assets of the original system of ownership by the whole people, then the enterprises' initiative for expanding reproduction will be affected.

In addition, the self-accumulated funds of the enterprises under the system of ownership by the whole people may be used for tapping their own potential, renovating, restructuring and expanding construction. If they have some funds left, they can use them for investment in other enterprises (whether they be enterprises under the system of ownership by the whole people or enterprises under the collective ownership system) and carry out joint management with them, on a voluntary basis and under the principle of mutual benefits. We should make a study of the nature of the ownership of investments in enterprises under the system of ownership by the whole people should belong to the system of ownership by the whole people. The case is different with investments in enterprises under the collective ownership system. This is the combination of the self-accumulated funds of the enterprises under the system of ownership by the whole people with those of the enterprises under the collective ownership system. It is a new economic form. The state should also give economic encouragement to such investments, besides giving planned instructions. The state may reduce the tax on the income from the investments of the enterprises under the system of ownership by the whole people within a given period of say 3 to 5 years. Otherwise, the enterprises will lose their initiative for investment. Besides, if all of the income earned by the enterprises under the system of ownership by the whole people from the investments in other enterprises is used for the development of production, the initiative of the staff and workers will be affected. It seems that it is necessary to use some of the income for the enterprises' welfare. We should know that the form of the socialist system of public ownership may change. Socialist production relations are based on the system of public ownership of the means of production. This definitely cannot be changed. But there are various forms of public ownership systems and we must not be rigid in our attitude towards them. For instance, now we have a new economic form in which the system of ownership by the whole people is combined with the collective ownership system.

This combination has brought good economic results. Can you say this is irrational? Or can you say this is not the socialist economic form? We must further study which form of public ownership system is more suitable for the development of the economy.

(2) Politically, the staff and workers have become masters of their own house and can carry out democratic management, so they love their factories like their own homes and a "community of destiny" has emerged in which the staff and workers maintain flesh-and-blood relations with the enterprises. This is like what was described by Engels as the combined body of free and equal producers.

The expansion of enterprise autonomy must be combined with the expansion of the workers' rights to become masters of their own house. This is one of the fundamental differences between our system and the one-man leadership system of the Soviet Union. We emphasize that the factory director exercises the right to direct production, but major problems of the factories and enterprises must be decided by the workers themselves. Only in this way, can the workers become the masters of the enterprises.

If we want our enterprises to resolutely take the socialist road, we must fully develop the socialist democratic style of work in the management of enterprises so as to make the laborers really become the masters of the means of production. Marx once made the following prediction as regards socialism in future: "The nationwide centralization of the means of production will become the nationwide social foundation formed by the combined body of free and equal producers, who will conscientiously undertake social labor in accordance with the common and rational plan." (Marx: Collected Works of Marx and Engels, "On the Nationalization of the Land," vol 18, p 67) What we want to build step by step is such a society. The system of ownership of the means of production is not just a question of who possesses, but also a question of who allocates. Only by transferring the allocation right to the producers on the production front (including management cadres, technicians and workers), can we better utilize the means of production of the system of ownership by the whole people for developing production, in order to make various measures practical, bring into play the initiative of the direct producers, emancipate the productive forces and give full play to the superiority of socialism. Therefore, to set up staff and workers' congresses and their standing institutions that have sufficient power is of great significance and is an important reform in the leadership system of enterprises.

The staff and workers' congresses should have the following power in respect of the enterprises' production, and management activities: Under the state's planned instruction, the congresses will work out the enterprises' long-term and short-term plans, determine the plan on major technological reforms, examine and approve the budget and finalize accounts and adopt important rules and regulations after the enterprises pay the tax to the state, the congress will decide on the allocation of the results of the work, that is expansion of reproduction, collective welfare, wages and rewards and the allocation of reserved funds according to the state's policies and decrees; the congress can decide on the appointment and dismissal of the enterprises' main cadres, according to the state's policies and decrees. If the staff and workers want to really become the masters of the enterprises, they should have the power to decide on the above major problems. That is to say that the staff and workers' conference and congress should not be regarded as merely

organizations to absorb the workers to "participate" in management, or at most as organizations for inquiries and inspection. Starting from the prerequisite that the staff and workers should be the masters of enterprises, we should make staff and workers' conferences and congresses play the role of the organ of power. As members of the working class, the staff and workers are not only the masters of enterprises, but also the masters of the state and society; they will not only manage the enterprises, but also take charge of the state's political, economic and other social affairs. For the staff and workers to manage the enterprises is the foundation for taking charge of the state's political, economic and other social affairs.

(3) In the leadership and management system, we should adhere to the responsibility system of the factory director being in charge based on democratic management. Opinions are not yet completely identical as to what the responsibility system of the factory director being in charge is. Some comrades propose carrying out the responsibility system of the factory director being in charge under the leadership of the staff and workers' congress, others propose carrying out the responsibility system of the factory director being in charge under the leadership of the management committee of the enterprises, and still others propose carrying out the responsibility system of the factory head being in charge under the leadership of the party committee, except for a few trial-point enterprises and until the party Central Committee makes new decisions.

In reviewing our history over the past 30 years, there have been three great reforms in the leadership and management system of our industrial enterprises. In the beginning it was called the party committee system. The method adopted by the revolutionary base areas in 1942 whereby the party, the government, the army, the civilians and the students should be unified under the party leadership was introduced in the management of enterprises. Recently, some comrades pointed out that the decision on unified leadership was quite necessary for winning a revolutionary war during a war period and that it was correct. But our practice in the past 20-odd years has proved that it is not appropriate for the method to be applied without any change in the four modernizations drive, especially to be applied in factories. For a period of time after liberation, we used this method and later changed it to the responsibility system of the factory director being in charge because we felt it was not so suitable for modern large-scale production. During the implementation of the responsibility system of the factory directors of some enterprises had excessive power and that the party committee and mass organizations could not play their role well. In order to overcome these shortcomings, the system was criticized in 1956, that is, the one-man leadership system was criticized and changed into the responsibility system of the factory head being in charge under the leadership of the party committee. This system has been implemented for 24 years. Practice has proved that this system has a lot of shortcomings and it has even changed into the one-man leadership system of the party committee secretary, under which the party committee decides on everything. The factory director, the staff and workers' congress and engineers have lost their functions. Of course, when the socialist transformation of the means of production had not been completed and when the contradictions between the proletariat and the bourgeoisie were still the main contradictions, the responsibility system of the factory director being in charge under the leadership of the party committee was specifically suited to the situation and tasks at that time. It once played a positive role. But following the shift of the stress of the party's work to socialist modernization and following the unfolding

of the reform of the economic management system, many problems have emerged. This system must be reformed step by step and in a planned way, but the responsibility system of the factory head being in charge under the leadership of the party committee has to be implemented until trial points are carried out, experience is ripe and the party Central Committee makes new decisions.

The party committee system, the responsibility system of the factory director being in charge and the responsibility system of the factory director being in charge under the leadership of the party committee have common shortcomings, namely, the staff and workers (including production workers, cadres and technicians) have not really become the masters of enterprises and have not developed the democratic style of work. This is an important reason why the leadership system of the enterprises must be improved.

No matter what method is adopted in the reform of the leadership and management systems of industrial enterprises, the following targets must be achieved: First of all, we must overcome the disadvantages of mixing the party, the government and the enterprises together and really intensify and improve political and ideological leadership exercised by the party over the enterprises. Second, we must exercise democratic centralism in the management of enterprises so as to make the broad masses of staff and workers really become the masters of enterprises and work hard for running the socialist enterprises well with a full sense of responsibility. In addition, on the basis of democratic management, we must form a centralized and unified system headed by the factory director (manager) and a responsibility system of the factory director being in charge that carries out production technology and management, in order to meet the objective demands in modern large-scale socialized production and achieve good economic results.

In order to realize the above-mentioned economic and political demands, enterprises should carry out the following six changes in their economic management:

(1) They should change the enterprises from being appendages of the departments and the administrative institutions of the localities into economic units which are responsible for their own profits and losses and which can form an independent production and economic management system and be fully responsible for their management results. The separation of enterprises from administrative organs means the changing of the profits turned over to the state into taxation. In taxation, the center and the localities can carry out appropriate allocation to prevent each from being unwilling to let go of the enterprises.

(2) They should change the enterprises from organizations which are in need of vitality into economic units which have internal motivation and external pressure and in which how the enterprises are run is directly connected with the interests of the staff and workers. When the enterprises carry out democratic management, the personal interests of the staff and workers are directly connected with the management results of the enterprises. In this way, the enterprises can have internal motivation. The enterprises are to carry out competition so as to have external pressures. With motivation and pressure, the enterprises can advance in a better way.

(3) They should change the enterprises from units which simply carry out orders into units which can make their own decisions. Except for some necessary planned

guidance, the state's plans should be worked out in such a way that they will gradually become of a guiding nature instead of compulsory. Our country is so large and our enterprises are so many. How should concrete and meticulous arrangements be carried out in every enterprise under the state's plans? Of course, the state's interference and guidance are necessary. But the enterprises should be allowed to make their own decisions according to the market situation under the state's planned guidance.

(4) They should change the enterprises from being "large and complete" or "small and complete" economic organizations into economic organizations in which specialization is combined with cooperation.

(5) They should change the enterprises' pattern of just being engaged in production into that of being able to manage production. The enterprises should pay attention not only to production but also to marketing, not only to management but also to the way of doing business and not only to their plans but also to the market. So new requirements are constantly set to the enterprises' management personnel, and they are impelled to adopt new attitudes toward production and new methods to organize production and pay attention to the market situation. They should learn how to engage in competition.

(6) They should make the enterprises responsible not only to the higher authorities but also mainly to the consumer.

The above are the changes the enterprises themselves will undergo after they have expanded their autonomy. In 1981, the enterprises will formally carry out the principle of independent accounting and responsibility for their own profits and losses in their trial points, but these trial points should not be carried out on a large scale. As to the retention of profits, some comrades think that only the enterprises which have a lot of profits can retain them and that the enterprises which have little profits or which incur losses cannot do that. This viewpoint merits careful consideration. From Sichuan's experience we know that the enterprises which have little profits or which incur losses can improve their management by carrying out the principle of retaining the profits or of being responsible for their own losses. Experience in some other districts has also proved this. Recently, I went to Liuzhou in Guangxi for investigation. From 1966 to 1979, the Liuzhou iron and steel works incurred a loss of 180 million yuan. In 1978, it incurred a loss of 15 million yuan and in 1979 8.73 million yuan. In 1980, the party committee of the Guangxi autonomous region adopted a financial method of being "responsible for their own losses, no replacement for serious losses and of retaining what they have when losses are small." As a result, this works soon overcame its losses. From January to October, it needed a profit of 2.85 million yuan. It is obvious that this method brought very good results.

Of course, trial points should not be carried out in an isolated way. The planning units, statistics units, material units, taxation units, banking credit units, pricing units, commercial units, foreign trade units, labor and salary units, organization departments and personnel departments should all take part in them. Because the reform of a system involves many problems, without the participation of various units concerned, these problems cannot be solved well or cannot be solved at all. The trial points of paying "substituting taxes for profits and of being

responsible for one's own profits and losses" are carried out in some places only by relying on the financial bureau and the tax bureau. How can they carry out the trial points well? Many enterprises have complained that they are in need of the right to use and transfer personnel. It seems that the organization department and personnel department of the party committee should also take part in the trial-point expansion of autonomy.

Second, on the basis of expanding enterprise autonomy, it is necessary to organize tens of thousands of scattered enterprises to form economic integration of various forms and to set up economic integrated bodies and all kinds of companies. Economic integration should be carried out on a voluntary basis and under the principle of mutual benefits. We should combine the method of from bottom to top with that of from top to bottom. There are various forms of integration, namely, the integration among enterprises under the system of ownership by the whole people, the integration among enterprises under the collective ownership system, the integration between enterprises under the system of ownership by the whole people and enterprises under the collective ownership system, integration among provinces, integration between China's enterprises and foreign enterprises, integration of production processes, integration of circulation processes, integration between raw materials and technology, integration of funds, integration of transport, integration among enterprises and integration between one economic integrated body and another. Various forms of integration are beneficial to the horizontal relations of the economy and will enliven our economy.

It is necessary to conscientiously study the major problem of how the socialist enterprises should rationally get organized, give full play to their potentials and superiority. Two years ago we had an idea of establishing nationwide or regional specialized companies and comprehensive companies from top to bottom, in order to unify various enterprises under the leadership of such companies. Now it seems that it is difficult to establish in a very short time. The form of economic organization is determined by the level of development of the productive forces. China's present production has not reached a high degree of socialization and the development of production in various regions, various departments and various enterprises is not even. Under such circumstances, it is not suitable to organize in a short time all the enterprises under the leadership of specialized or comprehensive companies in which manpower, financial resources, material resources, production, supply and marketing are highly centralized. If we do not start from practice or consider the demands of the development of production and the economic effect, but indiscriminately adopt the method of centralizing all the enterprises under the leadership of such companies from top to bottom, it will inevitably mean "the same old stuff with a different label," and the companies will become administrative organizations in a covert form. Thus the administrative structure will be made more complicated, bureaucratism will be fostered and the target of promoting economic development will not be achieved. Practice has proved that this method has many drawbacks. First, such companies are highly centralized, so monopoly and suffocation of competition will easily emerge; second, power is liable to be centralized by the companies, the enterprises will be deprived of their recently earned autonomy and their initiative will be seriously affected; third, the original horizontal economic relations among enterprises are liable to be cut off, and if enterprises want to carry out cooperation, they have to go through the companies of a higher level to get in touch with each other, even though the enterprises are close at hand; fourth, economic results

are liable to be ignored. An example is the northeast agricultural machinery company which was set up in March, 1978. It consisted of 144 factories which carried out cooperation over a wide area of 3.3 million square kilometers. The farthest distance was thousands of kilometers away and 20 percent of the factories were not along the railroad line. As a result, the cost of each tractor was as high as 15,000 yuan, while the cost of a similar product of the Tianjin tractor factory was only 9,000 yuan.

Practice has once again proved that forming economic integration by means of various forms, forming various economic integrated bodies and carrying out rational cooperation among specialized units on a voluntary basis and under the principle of mutual benefit are beneficial to giving full play to the enterprises' superiority, unfolding competition and accelerating economic development. Since 1980, enterprises in Sichuan and other provinces have taken the road of forming integration of their own accord and carrying out various forms of economic integration. There have been many advantages. First, the superiority of various economic units can be brought into full play and the economic results promoted. Second, they are helpful to linking up the horizontal economic relations and breaking through regional blockade and partial separation. Third, they are beneficial to the realization of cooperation among specialized units and to avoiding unnecessary duplicate construction and blind production. Fourth, they are beneficial to attracting the financial resources of enterprises into the urgent demands in economic construction. Fifth, this economic integrated body does not exercise monopoly but competition towards the enterprises outside this body; it does not deprive the various enterprises under this integrated body of their autonomy but respects their independent accounting and their power to carry out the principle of responsibility for their own profits and losses. Therefore this integrated body has internal motivation and external pressure. On the whole it has great vitality. It is just because the integrated body has many advantages that joint enterprises in various places have emerged and developed one after another after the central authorities put forward such a suggestion. In the first half of 1980, in Shanghai alone, 140 joint enterprises of different types were set up in 3 undertakings of light industry, textiles and handicrafts. Notable economic results were achieved. For instance, the joint enterprises run by Shanghai's handicrafts generally can start production 2 or 3 months after the signing of a contract. Production capacity is formed half a year later and they can recoup capital outlay within a year. Joint enterprises are run mainly by using production capacity now available. No new capital construction projects are carried out. This is an important experience.

The carrying out of economic integration should be based on the whole economic situation and social demands. We should combine administrative means with economic means. We should combine the method of making decisions from bottom to top with that of making decisions from top to bottom in order to achieve the target of increasing production and promoting economic results.

Third, set up a nationwide or regional trade organization, which may be called an association or federation. In the past there were the so-called 72 trades, meaning all sorts of trades. Take the textile industry as an example. There are the cotton textile industry, silk textile industry and woolen textile industry. In order to get them organized, we may form a federation or association for the textile industry. If we want to go into further details, we may divide the cotton textile

industry and the silk textile industry. Trade organizations should be civilian organizations or semigovernmental organizations under the guidance of the government. They should not be administrative organizations, which interfere in the internal affairs of the enterprises. They should cooperate with the enterprises in solving the problems that emerge among trades of the same type. The main tasks of the trade organizations are to handle the affairs of individual enterprises and companies which they are unable to handle, and serve the trades and enterprises themselves, according to the government's policies, decrees, laws and plans and according to the needs in the technological and economic activities of the enterprises when organizing production. The main functions of these organizations are (1) to carry out investigation among enterprises and market analysis, and according to the state's development plans for the economy, work out medium and long-term development plans and annual plans for the enterprises themselves. (2) To collect, arrange and provide information concerning domestic and foreign technological development and market demands to improve the enterprises' management. (3) To link up the connections and relations among enterprises in the same line of business, organize and coordinate cooperation within the enterprises themselves and organize competition and public appraisals in the enterprises. (4) To work out the standards of enterprises and products. (5) To coordinate the quality of products for export and their prices. (6) To give instructions to the management of the enterprises. (7) To help the enterprises train management personnel and technicians. (8) To reflect to the government in a timely manner how the enterprises' production is operated and put forward the requirements and suggestions for the development of the enterprise.

Trade organizations are quite in vogue in capitalist countries. This organizational method is adopted even in Yugoslavia and Romania. According to the investigation by a Chinese delegation on Japan's trade management, we know that in 1978, the number of various trade organizations set up by medium and small enterprises in Japan was 55,000. These organizations have been pushing forward the cause of trades in the same line of business. The enterprises may join or withdraw of their own accord. Those which join the organizations are still enterprises which can run business independently. Generally speaking, trade organizations in Japan exercise their functions of making connections, giving instruction and providing service information on the basis of running the enterprises independently and on their own. It seems that the method of giving instruction to enterprises' activities through trade organizations is better than that of exercising leadership over enterprises by simply relying on administrative organizations. The civilian and semicivilian organizations which are composed of trade experts who join the trade federation or association, can undoubtedly play a very positive role in developing the economy. They can serve not only every enterprise of the same line, but in the first place the economic integrated bodies. They can promote the development of the economic integrated bodies and push forward the reorganization of enterprises according to the principle of combining specialization with cooperation. This is beneficial to the readjustment work now being carried out. We may choose some trades for trial.

Fourth, develop economic centers which have the backing of industrially and commercially developed large cities. Guangzhou is a large economic center. Economic centers have not emerged accidentally, they are the results of a long historical process of economic development. In return, they play a very important role in pushing forward the development of the economy. They are often the centers of industrial production, the trade centers where commodities are purchased and sold,

the communications and transportation centers, financial centers and scientific, technological, cultural and educational centers. All large cities in the world play the role of economic centers. Economic centers do not form or disappear according to man's will, but according to economic laws. Therefore, we should pay attention to the role of economic centers.

The problem of how to bring into full play the role of economic centers is worth studying. Some comrades have the following ideas: In order to bring into full play the role of economic centers, it is necessary to form several economic centers throughout the country with the support of industrially and commercially developed large cities according to the requirements of the economic laws. Every economic center may have several medium or small economic centers with medium or small cities as their main component part. They are to be connected with medium or small towns and the countryside. Economic centers must not be under the restrictions of the administrative region. They should unfold economic activities according to the natural economic relations and under the principle of achieving the best economic results. The activities of various economic centers may be interwoven and inter-related in order to gradually form a flexible organism which has a network structure. We must develop medium and small towns in a planned way. If only large and medium cities exist and small towns are not developed, the countryside will have no legs. If the commodity economy of the countryside is cut off from small towns, it is hard to develop in an isolated way, and the development of the economy of small towns will in return promote the development of the diversified economy in the countryside. The proportion of population between the cities and rural areas is 20 percent to 80 percent. When the economy has developed 20 to 30 years later, the proportion of population between the cities and rural areas may be 30 percent to 70 percent or 40 percent to 60 percent. Suppose it is 30 percent to 70 percent, more than 100 million people will have to leave the countryside. Where will arrangements be made for them? We must be able to predict that the arrangement will be made for them in small towns.

Economic centers themselves also have the problem of how they should be constructed well. Only when economic centers are run well, will people join. If they are run in a bad way, people will not come. In order to bring into full play the role of economic centers, we must do a good job in supply, communications, harbor service and equipment, transportation, hotel service and equipment, information service and telephone and telegraphic service. When people come to your place for economic activities, they will know the situation once they inquire. Because the cities are short of inquiry services, it is hard to find out about the market situation. When foreigners come to Beijing on business, they are beset with difficulties. After staying in Beijing for 20 days or a month, they still do not know whom to get in touch with for a business interview. If only there were an inquiry service. In Sichuan, an inquiry service has been set up by several youths who are awaiting employment. The service is very lively. There is also such a service in Shenyang. If we want to give full play to the role of economic centers, we must set up inquiry services, which will be aimed at knowing about not only the economic situation in our own region, but the economic situation in other regions as well. People in Guangdong should at least know about the situation in Hong Kong and Macau. The year before last, when I visited Hong Kong, I saw an inquiry company which had immediate access to knowledge of the gold prices in London, New York and other places through electronic monitoring. Every day it sent out to its customers reports on

the commercial situation of various places in the world, such as the prices and marketing of cotton, grain, piece goods and other commodities. It also knew very well the changes of exchange rates of various currencies. Our economic centers must gradually set up inquiry services and economic information institutions.

Fifth, the functions of administrative management organs must be changed. After the expansion of enterprise autonomy, economic integrated bodies and trade organizations are formed and the role of economic centers is brought into full play, what kind of change will be responsibilities of the economic administrative departments undergo? Some people worry that after such a reform, the administrative management departments will have nothing to do any more. In fact, nothing of the sort will take place. Our administrative management departments will have more, not less, to do, will have heavier, not lighter, tasks to shoulder and will have higher, not lower, requirements for the level of leadership. In future, governments at all levels will guide and manage the economy by means of laws, policies, planning, plans and economic levers, instead of directly interfering in the internal affairs of the economic units, as is done now. For instance, we will guide the development orientation of the enterprises through planning, support the enterprises in carrying out urgent undertakings of the state through bank credit, encourage or restrict the development of some enterprises, readjust production and marketing through prices and taxation and readjust the profits and disparity between suffering and happiness among the enterprises. We are unfamiliar with the above work and are short of such experience and knowledge. For instance, we also pay taxes, but the tax rates have not played their appropriate role. Of course, we cannot say that it does not play its role at all. It plays a very positive role in the national revenue. But it has not played enough of a role in pushing the economy forward. Do we not want to substitute taxes for profits? We have no experience in carrying it out. In the past we did not have income tax, now trial points are being carried out in some places in which one enterprise has one tax rate. China has more than 370,000 industrial enterprises, does this not mean that there should be 370,000 tax rates? Obviously that is impossible. This problem must be studied and solved. Another example is the bank giving instructions to the enterprises. The state bank of Japan calls it "window instructions," that is giving instructions to the enterprises on how they should use the loans. When an enterprise borrows money from the bank, the bank will ask the reason and make suggestions as to what to do and what not to do. The interest rates for loans are different. If the loans are used for doing what is encouraged by the government, the interest is low, otherwise, the interest is high. In the past our banks became the treasury of the Financial Ministry. They did not give enough guidance to the enterprises' economic activities. Therefore, the government's economic administrative departments have a lot to do in the reform of the management system, which can be summed up as follows: It is necessary to carry out overall planning, coordination, service, statistics and supervision and constantly solve new problems. Here we must emphasize that appropriate regulation by planning mechanism must be combined with regulation by market mechanism and that the planning, statistics, banking, commercial, material and foreign trade systems should cooperate with the departments in charge in unfolding market investigation and economic analysis work and in giving instructions to the enterprises' economic activities. This is a very important task to fulfill. Recently, many enterprises in many places rushed headlong into mass action to produce electric fans, washing machines and refrigerators. Now there are more than 1,000 electric fan producing factories throughout the country, and it has caused the stockpiling of electric fans.

How has it happened? The main reason is that they did not have a thorough knowledge of the market situation nor did they carry out scientific market analysis.

After the reform of the economic system is realized, the party committees at all levels can get away from daily affairs and concentrate their efforts on ideological and organizational building. They can play a better leadership role in the orientation, line and policies of economic construction. They can intensify the study of and instructions on the principles, policies and planning of the economy in order to enhance the level of economic management.

The present economic system must be reformed. On this problem we must be resolute. But the reform should not be too fast. Because the reform of the economic system is a new thing to us, we may be confronted with new situations and new problems. We must study these new situations and solve these new problems promptly. In the process of the reform, we may meet with difficulties. When confronted with difficulties, some comrades often want to backtrack. This is not a good attitude. According to the spirit of the Central Party Committee, the reform must be carried through and no one is to backtrack. But the pace must be stable. The reform must be carried out in the process of readjustment so as to make it beneficial to readjustment. Only in this way, can we handle well the relations between readjustment and reform and guarantee the smooth realization of these two tasks.

CSO: 4006/493

ECONOMIC PLANNING

BRIEFS

HUBEI QUALITY CONTROL CONGRESS--From 1 to 3 September, the first Hubei provincial quality control groups congress was held in Yichang Municipality. At the congress, there was a slide show to demonstrate the work done by 22 quality control groups. Four outstanding quality control groups were nominated to be representatives to the national quality control congress. The congress also gave awards to 55 outstanding quality control groups in the province. Representatives attending the congress put forward the following proposals: 1. Do a good job in propagandizing the importance of overall quality control and in holding various study classes for different personnel. 2. All districts, departments and enterprises must control pilot quality control work and should make plans to carry out overall quality control. 3. Promote quality control work by the masses. 4. Conduct a series of activities to shift the focus of quality control work on to prompting new products and techniques. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 4 Sep 81 HK]

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FINANCE AND BANKING

ROLE OF BANK OF CHINA FOREIGN EXCHANGE LOANS DESCRIBED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 7, 4 Jul 81
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[Article by Wang Chenggui (3769 2052 6311) and An Baocai (1344 0202 2088):
"Foreign Exchange Loans Have Promoted the Readjustment of the National
Economy"]

[Text] In keeping with the requirements of economic development and readjustment, the Bank of China has issued a certain amount of short-term foreign exchange loans over the past several years. These loans are mainly used to import advanced technology, to purchase and import key equipment and goods and materials in short supply domestically, and to refurbish old enterprises. In general there have been high yields with low expenditures of money and rapid recoupment of the loans. The foreign exchange loans have played a relatively good role in supporting the development of the following departments and trades.

One, they have bolstered the China Ocean Shipping Company in developing an ocean fishing fleet.

For a long time, China's ocean shipping capability has been seriously inadequate. In order to spare large sums of rent for foreign bottoms, we must self-reliantly develop our own ocean shipping fleet. Foreign exchange loans issued by the Bank of China over the past several years have played a very useful role in bolstering domestic shipbuilding and in purchasing vessels from abroad. By now a Chinese ocean fleet has begun to take shape. In 1980 the volume of freight commissioned to Chinese vessels reached 71 percent of the total. This was but 13 percent in 1965. We have thus basically carried out the directive of Premier Zhou when he was alive and changed from the passive situation where we relied on renting foreign ships for ocean shipping.

Two, they have bolstered the refurbishing of light and textile industry at critical points and filled in the gaps.

The local short-term foreign exchange loans issued to the light and textile industries by the Bank of China constitutes over half of this type of loan. These funds have played a great role in filling in gaps in these industries and in unearthing the latent potential in existing enterprises. For example, the light industrial and textile products of Jiangsu Province enjoy a favorable reputation on domestic and foreign markets, but the antiquated equipment and the simple and crude factory buildings have placed limitations on increasing product variety and quality. The Nanjing branch of the Bank of China has taken light and textile industry as a critical point for added support. Over the past several years it issued approximately 80 percent of the province's total foreign exchange loans to the light and textile industry. This is equivalent to approximately 50 percent of the state's investment in Jiangsu's light and textile industries. They utilized these foreign exchange loans to import some advanced key equipment which has filled in gaps in existing enterprises and formed complete sets. Most of this equipment is already in operation and showing good results. It is estimated that when all of the \$80 million in loans is showing results, output value will reach 1.3 billion yuan per annum. Of this, foreign sales will increase by 900 million yuan and domestic marketing by 400 million yuan. Taxes and profits will increase by 350 million yuan, foreign exchange from exports will increase by \$400 million and net foreign exchange earned will be \$320 million.

Three, they bolster the production and export of agricultural, sideline, local and aquatic products.

At present a considerable amount of China's exports are agricultural, rural sideline, local and aquatic products. The support of the production and export of these products is an important task of local foreign exchange loans. These loans have constituted approximately 20 percent of the total over the past several years and have generally achieved good results. For example, \$2.2 million in foreign exchange loans were issued to the aquatic departments of the Zhoushan Archipelago to help them import principal materials in short supply for building large motorized sailing ships and cold-storage facilities. On their own they built 40 large motorized sailing ships and 3 cold-storage facilities. The ships have already yielded over 1.09 million dan [54,500 metric tons] of fish. Of this, 132,000 dan were sold for export, the fishers retained 88,000 dan and the remainder supplied the domestic markets. In addition, over 900,000 yuan in various taxes were remitted to higher authorities. By April of this year both principal and interest on the foreign exchange loans had been paid off. Basically, the state, the collective, the individuals and the bank have all been satisfied.

Four, they bolster the development of contracting engineering tasks abroad and increasing foreign exchange income.

Over the past several years China has set up some independently operated foreign engineering contracting companies. With the aid of funds and credit of the Bank of China, they have already entered the international engineering

contracting market and have undertaken various contracting activities. Some have already gotten a firm foothold and contracted or completed some projects, gaining an initial reputation on the international markets. This has built a sound foundation for further entering into the international markets. The advantages of developing foreign contracting are numerous: it can increase the number of people employed, it allows us to study the advanced foreign technology in the same trades, it allows us to increase our exports of some technical and construction implements and equipment, and it can earn foreign exchange income. There is a bright future for these enterprises and the Bank of China must continue to support their development forcefully.

In sum, the foreign exchange loans managed by the Bank of China have been successful and have played a positive role in China's economic development and readjustment. At present we are still in the process of carrying out economic readjustment, so we must also make further efforts to improve and raise the standards of our foreign exchange loan work. We feel that future foreign exchange loan work should be even more tightly centered around the policy of economic readjustment. We should pay attention to further enlivening and improving our work, taking the following two aspects as our starting points.

The first is to concentrate on bolstering the refurbishing of existing enterprises and to strictly control new capital construction projects. China has 400,000 old enterprises, among which many have produced famous brand export products for a number of years. Some of these only need a slight change, to carry out some necessary filling-in of gaps or to solve the problem of some key equipment for their production to increase. At present the focus of foreign exchange loan support is on the refurbishing of old enterprises. We cannot just talk of support and want new construction and big loans. According to the spirit of readjustment and the stipulations of the state, any capital construction items which require foreign exchange loans to import advanced technology or equipment or goods and materials in short supply domestically must be carried out firmly and strictly according to the stipulated order (including the sequences of capital construction, import and loans). We must strictly prevent the mistaken method of first importing then building and thereby lengthening the capital construction front. We must also strictly prevent the unhealthy activity of first ordering goods and then applying for a loan so as to coerce the bank into issuing the loan.

The second is to give prominence to the focus of support and open up the paths of production. The total number of items of China's departments and districts which need foreign exchange loan support is quite numerous. The bank must act according to the state plan and the needs of the international market, program things in a unified manner and give prominence to the foci of support, that is: geographically, focus on China's core cities along the coast; in enterprises, focus on the refurbishing of old enterprises; among trades, focus on light industry, textiles and transportation; in product variety, focus on "famous brand" and "leading" commodities; and in

the area of economic results, focus on items which spend little money, produce large benefits, create much foreign exchange and have quick paybacks. At the same time that we give prominence to the key points we should also open up the paths of production. According to the readjustment policy, the banks must pay attention to supporting the changeover of part of heavy industry and the military industry to the production of goods for civil use or for export; to supporting items for carrying out technical reform by trade; to supporting the production of electromechanical products which have export potential, to gradually transform China's export commodity structure; and to supporting the development of service trades which match the loan conditions. To sum up, only by giving active support to all those things which correspond to the readjustment policy and which have the conditions for a foreign currency loan can the bank enliven and improve such loans and promote the readjustment of the national economy.

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FINANCE AND BANKING

BRIEFS

HEILONGJIANG EXPERIENCE-EXCHANGE CONFERENCE--From 26 August to 2 September the Heilongjiang Provincial Economic Commission and Financial Department held a joint experience-exchange conference in Mudanjiang Municipality to disseminate model experiences gained by the provincial industrial and communications front in the work to enact economic responsibility systems and conduct economic accounting. During the conference participants heard the report relaying the spirit of the national work conference on supply and marketing, summed up the model experiences gained by 19 units throughout the province, reviewed the work in this regard done in the past 2 years and discussed and worked out measures to thoroughly enforce and improve economic responsibility systems. Chen Jianfei, secretary of the provincial CCP committee and deputy governor of the provincial people's government, delivered a summing-up speech at the conference. In his speech he put forward some concrete principles for dealing with problems arising in the work to enforce economic responsibility systems. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 9 Sep 81 SK]

NATIONAL CREDIT COMPANY CONFERENCE--The third national conference on the work of trust and credit companies opened in Harbin 20 August. The main task of this conference is to exchange experiences in purchase, marketing, storing and transporting goods on a commission basis. Attending the opening ceremony were 91 delegates from 12 provinces and municipalities, including Beijing, Shanghai, Tianjin, Guangdong, Fujian, Guangzhou, Fuzhou, Chongqing, Xian, Wuhan, Shenyang and Harbin. [SK210724 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 20 Aug 81]

ANHUI ECONOMIC DISCIPLINE--To combat unhealthy tendencies in economic work, the Anhui Provincial Party Committee and People's Government have decided to inspect discipline in finance and economic work in the province in the near future. On 20 August groups charged with inspecting discipline in finance and economic work among organs directly under the province held a meeting of leaders of provincial-level departments, commissions, offices and bureaus in charge of financial matters. Over 200 people from some 100 provincial-level organs attended the meeting. The meeting urged all finance and accounting personnel to boldly expose problems existing in their respective units. [OW011301 Hefei Anhui Provincial Service in Mandarin 1100 GMT 30 Aug 81]

CSO: 4006/493

ENERGY

JIANGSU COMPLIES WITH STATE COUNCIL'S RULING ON POWER CONSERVATION

Nanjing XINHUA RIBAO in Chinese 10 Jun 81 p 1

[Article by Wang Zhisan [3769 2784 0005]: "Overall Planning and Arrangements Made for Conserving Power During Peak of Farm Irrigation"]

[Text] With the arrival of the peak of farm irrigation, the Provisional Economic Committee and the Provisional Bureau of Electric Power have studied measures and arranged consumption of electric power for industrial and agricultural production and for the domestic needs of the people.

The Provincial Economic Committee and the Provincial Bureau of Electric Power, analyzing the situation of power generation and supply in the whole province, found it to be favorable. But as the weather was dry, consumption of electricity went up 23 percent in January-May compared with the same period last year and is expected to increase further from now on. With a view to narrowing down the gap between supply and demand, the Provincial Economic Committee and the Provincial Bureau of Electric Power have worked out five measures on the basis of the State Council's ruling on power conservation and made arrangements at a symposium of the chairmen of prefecture and municipal economic committees at the end of May:

1. Ensure safe generation of power. Power generation is the base of power supply. Steady generation of power means normal supply of power. In conjunction with the areas concerned the Provincial Bureau of Electric Power should concentrate on the four power plants in Jianbi, Xuzhou, Nanshu, and Nantong and strive for safe and full generation, more generation and more consumption.
2. Basing themselves on the electric power distributed by the provincial authorities, all localities should ensure focal-point supply and make overall arrangements. In supplying power, priority should be given to irrigation and threshing, to aid-agriculture industries, light industry, textile industry, energy industry, and construction materials industry, to railway stations and wharves, and to the domestic needs of urban and rural residents. For purposes other than those mentioned above, measures for restricting power supply and making way for others should be taken so as to ensure rational use of power.
3. Organize plants to overhaul engines and equipment according to plan. Having discussed with the areas concerned, the Provincial Bureau of Electric Power has

decided that during the period of farm irrigation, production of power-intensive calcium carbide, yellow phosphorus, silicon iron, electric furnace steel, and energy shall be regulated, restricted or stopped.

4. Commune-brigade industries should make way for aid-agriculture industries, and give aid to major industries. At the moment the power load is comparatively large for commune-brigade industries; during the period of farm irrigation, supply of power may be ensured for some commune-brigade industries and stopped for others, and some of the commune-brigade industries may switch to night production and save electric power to aid agriculture and major industries.

5. In the case of power consumption for farm irrigation and threshing purposes, rotation irrigation, night irrigation, and alternate consumption of power should be encouraged. By raising the power load rate from 88 percent to 92 percent, there will be 100,000 load more available for the whole province.

9780

CSO: 4006/400

ENERGY

SUZHOU TEXTILE MILL CONSERVES POWER

Nanjing XINHUA AIBAO in Chinese 10 Jun 81 p 1

[Article by Zhang Huiming [1728 1920 2494]: "Suzhou Textile Mill Conserves Power, Saves 600,000 Yuan for the State"]

[Text] With the help of the municipal power supply department, the Suzhou Cotton Cloth Printing and Dyeing Mill has saved 600,000 yuan for the state by implementing a new power supply scheme.

The mill is a specialized one for finishing cotton cloth and chemical fibers in Suzhou municipality. In order to increase production of new varieties of medium and long fabrics in urgent market demand, the mill has added a set of equipment this year for sorting out medium and long fabrics. With this plant equipment put into operation, consumption of power will be doubled. According to the original plan, the mill is expected to build a 35,000-volt transformer station with 400,000 yuan in investment in about a year. So as to put the new plant equipment into operation at an early date, deputy chief Zhang Guijin [1728 2710 6855] of the equipment section and engineer Xue Hongsheng [5641 7703 3932] of the Municipal Textile Industry Co, having ascertained the condition of power supply in the whole mill, decided to take the road to tapping the potential. They put forward a power-supply scheme: instead of constructing a transformer station, exchange the two 560-kv transformers at the existing transformer station for two 1,000-kv transformers, and rebuild and utilize the existing 10,000-volt circuit to ensure the volume of power supply for the whole mill. The new scheme won immediate support from the leading comrades assigned to the mill by the municipal government. The municipal power supply department gave a green light [to the plan], adjusted the power consumption plans, gave priority to construction work, installed the circuit, and tested the performance of electrical appliances. Simultaneously with this, the mill leadership organized shock work to install equipment. It took only 4 1/2 days from the start of construction 27 April to formal test of the switch. The new equipment is now put into operation. In two or three years the mill will have solved all its problems of power supply.

The Suzhou Cotton Cloth Printing and Dyeing Mill has transferred their two 560-kv transformers to the Cotton Cloth Printing and Dyeing Mill No 3 which is speeding up preparations for operation. This has enabled the latter to give up their plan to construct a new 35,000-volt transformer station. Thus, by spending only 60,000 yuan the Suzhou Cotton Cloth Printing and Dyeing Mill has killed two birds with one stone, saving 600,000 yuan for the state.

9780

CSO: 4006/400

ENERGY

PARTY, STATE ORGANS INITIATE OIL RATIONING SCHEME

Beijing RENMIN RIBAO in Chinese 15 Jun 81 p 1

[Text] The State Energy Commission, the CCP Central Committee Bureau of Government Office Administration, the State Council Bureau of Government Office Administration, the Ministry of Finance, and the Ministry of Commerce have jointly issued a "Circular on Oil Conservation Measures To Be Taken by Party Central Committee and State Organs," urging Party Central Committee and state organs to set an example, take the lead in carrying forward the revolutionary tradition of plain living and hard struggle, and play an exemplary role in conserving gasoline.

On the basis of the CCP Central Committee and State Council decision to initiate oil conservation among Party Central Committee and state organs, the five units including the State Energy Commission have recently studied and worked out "Provisional Measures for Distributing Motor Vehicles and Rationing Oil among Party Central Committee and State Organs."

The Provisional Measures require Party Central Committee and state organs to check up on their motor vehicles and work out fixed complement of vehicles according to the vehicle distribution standards. All types of motor vehicles bought through any channel with any funds should be carefully categorized and reported to the higher authorities, surplus vehicles should be delivered to the higher authorities, and deficiency will be made up in succession. The Provisional Measures set concrete standards for distribution of cars, buses, and trucks among Party Central Committee and state organs.

The Provisional Measures set oil supply standards for various types of vehicles and demand strict implementation of the rationing and conservation systems. Beginning 1 July 1981, the amount of oil consumed by various units shall be checked and decided respectively by the Party Central Committee of Government Office Administration, the State Council Bureau of Government Office Administration, the Ministry of Finance, and the Beijing Municipal Petroleum Company and supplied against coupons. Oil will be rationed; oil saved will be kept for further use; overconsumption will not be made up. All units are not permitted to obtain oil "through the back door" over and above the fixed amount, and those violating the provisions will be sternly dealt with. Oil consumed by various units when holding meetings is included in the standard amount of supply and will not be supplied separately. The Provisional Measures call upon Party Central Committee and state organs to carry out conscientiously the Provisional Measures for Collecting Fees on the Use of Cars for Private Business. Organs are not allowed to provide their staff and workers with cars for weddings and outings.

ENERGY

SHANXI EXCEEDS SEMIANNUAL RAW COAL PRODUCTION PLAN

Taiyuan SHANXI RIBAO in Chinese 20 Jun 81 p 1

[Article: "Our Province Completed Raw Coal Production Plan for First Half of Year 13 Days Early"]

[Text] XINHUA, Taiyuan, 18 June: Shanxi Province completed the state's raw coal production plan for the first half of the year 13 days early. Exploitation efforts progressed and by the last 10 days of May [sic], the state plan had already been completed.

From January to 17 June, Shanxi Province produced a total of 54.96 million tons of raw coal, 4.41 million tons over the state plan for the first half of the year and 103 percent of the same period last year.

Shanxi Province's coal frontline workers were enthusiastic and worked hard. At the beginning of this year, they proposed to welcome the 60th anniversary of the Chinese Communist Party by completing the state plan for the first half of the year early. Each coal mine exerted efforts to catch up with the others, and the yield of coal throughout the province increased steadily. Since January of this year, the Jingcheng Mining Bureau and the Luan Mining Bureau basically realized overfulfillment of the production plan every day, every 10 days, every month, and they completed the production plan for raw coal for the first half of the year 16 and 15 days early, respectively, becoming the first two mining bureaus to complete the state plan for unified distribution of coal in Shanxi Province.

The local coal mines, which bear the burden of fulfilling nearly half of the province's raw coal production plan in Shanxi, completed the raw coal production plan for the first half of the year early, on 7 June, and they contributed importantly to the completion of the raw coal production plan for the first half of this year in the entire province. From January to 17 June this year, a total of over 27.3 million tons of raw coal was produced, more than 3.5 million tons over the state plan.

9296

CSO: 4006/433

ENERGY

CATALYTIC CRACKER USES CARBON MONOXIDE COMBUSTION SUPPORTER

Beijing BEIJING RIBAO in Chinese 5 Jul 81 p 1

[Article by Zhao Jupeng [6392 1565 7720]: "Dongfanghong Catalytic Cracking Unit Uses New Technology to Conserve Energy and Eliminate Pollution; Investment of Less Than 500 Yuan Realizes Over 10 Million Yuan of Benefits a Year"]

[Text] The Dongfanghong Refinery catalytic cracking unit of the Yanshan Petrochemical Company has successfully utilized the new technology of adding a carbon monoxide combustion supporter. For an investment of less than 500 yuan, many good results were achieved: conserving energy, eliminating, pollution, stabilizing production, and increasing the retrieval rate. The two items of conserving energy and increasing the retrieval rate alone realized an economic benefit of over 11.7 million yuan a year.

During production, the catalytic cracking unit produces a lot of chimney gases containing a certain amount of carbon monoxide. In the past, part of the carbon monoxide was used, but the rest was released into the atmosphere, thus wasting energy sources and seriously polluting the atmosphere. At the same time, because the carbon monoxide in the catalytic regenerator did not burn fully, the consumption of catalysts increased. Last year, workers in this unit went to a brother plant to learn the new technique of using a carbon monoxide combustion supporter. Under the leadership of the plant and the support of workers of other units, they quickly completed the technical measures to use the carbon monoxide combustion supporter. After over 6 months of production practice, it was proven that it produced visible economic results.

First, it conserved a lot of energy. In the past, the catalytic cracking unit produced carbon monoxide with precious chemical energy in the regeneration of catalysts, but a lot was released in the exhaust. With the use of the carbon monoxide combustion supporter, the unit achieved complete combustion of the carbon monoxide; 13,930,000 kilocalories of heat were retrieved per hour; the sprayed light diesel oil in the regenerator of the past was not used, and so 6,400 tons of light diesel oil were conserved throughout the year at a value of 1.53 million yuan.

Second, it eliminated pollution. The catalytic cracking unit released about 80,000 cubic meters of chimney gases into the atmosphere per hour in the past and the exhaust contained about 7 percent carbon monoxide, seriously polluting the environment. After using the carbon monoxide combustion supporter, the content of carbon monoxide in the chimney gases dropped to 0.6 percent.

Third, it increased the rate of retrieval of light oils. After using the carbon monoxide combustion supporter, the retrieval rate of light oil increased over the past. In 1980, 69,200 tons more gasoline and diesel oil were produced than in 1979; aside from the value of heavy diesel oil that is produced in lesser amounts, each year the retrieval of light oil alone increased the accumulation of over 10 million yuan for the state.

9296

CSO: 4006/433

ENERGY

NEW WATER-TYPE LUBRICATING OIL BL-60 DEVELOPED

Beijing BEIJING RIBAO in Chinese 5 Jul 81 p 1

[Article by Chen Lei [7115 7191]: "BL-60 Oil Containing Water-Type Lubricating Oil Has Been Successfully Developed; Compared to the Use of No 50 Motor Oil, It Can Conserve 50 Percent of Oil Consumption and Environmental Pollution Is Reduced"]

[Text] The Beijing Exploitation Institute of the Coal Sciences Research Academy has successfully developed a type of new oil-conserving material—BL-60 oil containing water-type lubricating oil that is difficult to burn and is not poisonous—in technical cooperation with the Beijing City Scientific Coordination Group. It can replace No 50 motor oil as a lubricant and thus conserve 50 percent of oil consumption.

BL-60 lubricating oil is made by emulsification using about 40 percent mineral oil with water added and additives. The lubricating results are good. Concerned departments carried out industrial experiments at the Beijing Zinc Wire Plating Plant to use it as a lubricant to produce 2,100 tons of plated zinc wire, and the quality met all requirements. Using No 50 motor oil, pollution of the environment was greater. Using BL-60 lubricating oil, the production of harmful substances such as carbon monoxide can be reduced by three-fourths.

After determination by concerned departments, the use of BL-60 lubricating oil has been recognized as a new way to conserve oil.

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CSO: 4006/433

ENERGY

SHANXI SETS RECORD IN POWER GENERATION FOR FIRST HALF OF YEAR

Taiyuan SHANXI RIBAO in Chinese 8 Jul 81 p 1

[Article by Kong Zhijun [1313 1807 0193]: "Shanxi Power Generation Sets Record High in First Half"]

[Text] The electric power industry of Shanxi has been advancing steadily during the readjustment, fulfilling the quota of the first half of the year by 25 June, 5 days ahead of schedule. The amount of power generated is up by 150,000,000 KWH over that of the same period a year ago, setting a historic high.

Guided by the line laid down by the Third Plenum of the Central Committee, the provincial Bureau of Electric Power Industry has had some initial successes in overcoming power shortages and reversing the passive situation. It installed new generating units and exploited the potential of the existing facilities as it implemented the readjustment program. This year has seen more improvements in generation of power, and, basing power generation on consumption instead of limiting consumption by generation, they have produced ample power for industrial production.

As the power supply increases, the electric power department is turning its attention to selling more power to more consumers. During its province-wide survey of power, the Bureau of Electric Power Industry combined the drive for new consumers and the survey of power consumption to provide the customers with voluntary services. Its people went to the villages to assist the consumers and production teams to erect power lines, install equipment and train electrical workers so as to make power accessible to village consumers. As a result, power consumption in the villages during the first half of the year rose by 10.3 percent over that of the same period a year ago.

While working to provide more power to more customers, the department also tries to tackle such crucial problems as the removal of "bottlenecks" in the transmission and transformation of power. Due to inadequate power transmission and transformation facilities, the consumers in certain localities and units still face the problem of blackouts even though there is plenty of electricity at the power plants. To improve the situation, 33 percent instead of 15 percent of this year's total investment will be set aside for the installation of transmission and transformation facilities. Moreover, the funds for renewal and renovation are to be spent as much as possible for power transmission and transformation so as to exploit all potential and increase transmission capacity.

As for the day to day management of production, the leadership of the provincial department of electric power industry requires a meeting on production every morning to seek prompt solutions to problems concerning the generation and supply of power and coordinate the relationship between its generation and consumption. The key cadres of the department went to the power stations at Shentou, Datong, Niangziguan and to the Xinxian region to conduct surveys and research, summarize experience, and solicit the opinions of the masses on how to generate and sell more power, all with a fair measure of success.

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CSO: 4006/450

ENERGY

BRIEFS

SICHUAN SMALL HYDROELECTRIC STATIONS--Extensive construction of small-scale hydroelectric power stations in the Dabashan region, Sichuan, has been going on fervently in recent years. Over 540 stations with an installed capacity of more than 73,900 kilowatt have already been built. The Dabashan region, a reservoir of hydropower resources, has abundance of rainfall and is crisscrossed by rivers and streams and drained mainly by the tributaries of Jialingjiang, including Qujiang, Baijiang and Zhouhe. According to the findings of a general survey, the installed capacity of the power stations which could be built may reach over 1,000,000 kilowatt. Since the liberation, especially in most recent years, the people's government has been working to develop hydroelectric power. It has been building large numbers of small-scale hydroelectric power stations as it constructs large and medium power stations and the state electric power networks. The capacity of the generators installed in both 1979 and 1980 was over 10,000 kilowatt each year. The capacity of those installed in the current year has already exceeded the total of the preceding two years. Now the entire Dabashan region, studded with small-scale power stations, has over 21,000 kilometers of transmission and transformation cables. All the towns and 95 percent of village people's communes of the region have become the end-users of electricity. The development of electric power promotes local industrial and agricultural growth. The local industries now include metallurgy, mining, coal, electronics, machine-building, electric power, chemical fertilizers, food, chemical industry, building materials and textile. The gross industrial output value of 1980 was 26 times that of the years immediately after the liberation. [Text] [Hong Kong ZHONGGUO XINWEN in Chinese 18 Jul 81 p 2] 5360

CSO: 4006/450

INDUSTRY

BRIEFS

SHANDONG INDUSTRIAL OUTPUT--Shandong provincial industrial and transport enterprise increased August output value and profits 4 percent over the July figures. Light and textile products markedly increased of the 30 major products, 20 increased in output. The output of bicycles in August increased by 19.7 percent; sewing machines, 22.3 percent; and wristwatches, 42.2 percent over July. Output of plastic articles, cotton yarn and cotton cloth also slightly increase. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 5 Sep 81 SK]

JILIN MUNICIPAL-LEVEL INDUSTRY--In the past 32 years since the founding of the PRC, industrial production has advanced by leaps and bounds in Changchun Municipality, Jilin Province. The 1980 municipal industrial output was valued at 3,878,100,000 yuan, a 107-fold increase over 1949, or showing a yearly average increase of 16.3 percent. In addition, vehicle production in Changchun Municipality accounts for one third of the total output in our country. Its output of passenger trains makes up over 50 percent of the total national output. [SK241120 Changchun Jilin Provincial Service in Mandarin 2200 GMT 21 Aug 81]

GUANGZHOU MECHANICAL, ELECTRICAL INDUSTRY--The Guangzhou municipal and mechanical and electrical industry has readjusted its production structure and orientation and subsequently increased production. It has fulfilled a total production value of 269 million yuan in the first half of this year, showing an increase of 3.4 percent over the corresponding period last year. The municipal mechanical and electrical industry has seriously implemented the readjustment principles and has vigorously aided the development of light industry. The number of factories engaging in production of mechanical and electrical products for daily use has increased from 12 to 23 this year. The total fulfilled export output has increased by 40 percent in the first half of this year over the corresponding period of last year. In addition, the processing trade has also vigorously developed. [HK219741 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 12 Aug 81]

SHANDONG TECHNOLOGICAL INNOVATIONS--Industrial and communications departments in Shandong Province has completed 410 projects for tapping industrial potential and creating new technologies in the first 8 months of 1981. These projects can help increase the annual industrial output by 783 million yuan and annual taxes and profits by 181 million yuan. The province has invested heavily to promote consumer goods production. [SK130014 Jinan Shandong Provincial Service in Mandarin 2300 GMT 11 Sep 81]

NORTHWEST INDUSTRIAL COOPERATION--Yinchuan, 2 Sep (XINHUA)--A technical and economic cooperation network among the second light industrial departments of Shaanxi, Gansu, Ningxia, Qinghai and Xinjiang was formally set up at a conference of technical and economic cooperation among the second light industrial departments of northwest China held recently in Yinchuan. The conference decided that initially these five provinces and autonomous regions will carry out cooperation in the manufacture of leather goods, plastic wares, metalware, garments, foot and headgear and handicraft goods. Cooperation projects will include evaluation of the quality of major products, scientific research, study and exchange of new technology, training of technicians, setting up of an information center, marketing of industrial goods and so forth. [OW081307 Beijing XINHUA Domestic Service in Chinese 0115 GMT 2 Sep 81]

JILIN FIRST LIGHT INDUSTRY--The Jilin provincial second light industrial department had fulfilled 70.7 percent of the annual output plan by the end of August, an increase of 10.4 percent over the corresponding 1980 period. [SK061046 Changchun Jilin Provincial Service in Mandarin 2200 GMT 5 Sep 81]

HENAN INDUSTRIAL PRODUCTION--The Henan provincial CCP Committee and the provincial government have organized directors of all committee, offices, bureaus and departments at provincial level, scientific and technological personnel and cadres, totaling some 150 people, into 10 work groups, which went to Zhengzhou, Kaifeng, Luoyang, Pingdingshan, Xinxian, Anyang, Jiaozuo and Hebi municipalities and Zhoukou and Shangqiu prefectures on 25 August to help them increase industrial production. The main task of these work groups included mobilizing the workers to increase industrial production from September to December this year. Before the work groups left, Li Qingwei and Yue Xiaoxia had held a meeting of work groups' leaders. [HK040455 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 26 Aug 81]

SHANDONG LIGHT INDUSTRY--Jinan Municipality, Shandong Province, has shifted the emphasis of its investments from heavy industry to the light and textile industries. Since last year, investments in light and textile industries have accounted for over 90 percent of Jinan's industrial investments. The city's light and textile industrial output in the first 7 months of 1981 increased 12.1 percent over the corresponding 1980 period. Profits handed over to the state increased 27 percent. Compared with the corresponding 1980 period, production of washing machines increased 1,300 percent in the first 7 months of 1981; silk nearly 200 percent; and wrist-watches, chemical fibers, wool products and steel furniture, over 30 percent. [SK010333 Jinan Shandong Provincial Service in Mandarin 2330 GMT 31 Aug 81]

LIAONING ELECTRONIC PRODUCTION--Through a 2-year readjustment, Liaoning electronic industrial enterprises have scored remarkable achievements. The output value has surpassed the figure of 1979 by 47 percent. In the first 6 months of 1981, it surpassed that of the corresponding 1980 period by 23 percent. Meanwhile, provincial products enjoy brisk sales across the country because of their fine quality. [SK211230 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 21 Aug 81]

CEMENT QUALITY--Beijing, 29 Aug (XINHUA)--The State Council recently approved a report submitted by the Ministry of Building Materials, the State Economic Commission and the Ministry of Agriculture on the quality of domestically produced cement. It distributed the report to all localities concerned calling for improving the quality of cement produced by small cement plants. According to the report, more than 3 million dun of cement waste products was turned out by cement plants throughout the country in 1980 and that some 9 million dun of cement produced by small cement plants was not subjected to quality tests based on standards set by the state. As cement greatly influences the quality of projects, it is of great importance that the quality of cement produced by small cement plants be improved, the report said. [OW301123 Beijing XINHUA Domestic Service in Chinese 0740 GMT 29 Aug 81]

SYMPOSIUM ON STEELMAKING--Beijing, 7 Sep (XINHUA)--The first Sino-Japanese symposium on steelmaking, sponsored by the Chinese Society of Metals and the Iron and Steel Institute of Japan, opened today in Beijing. More than 80 Chinese and Japanese specialists, noted professors and engineers are attending the current symposium in order to exchange information on new technological developments in steel and iron industry and deepen mutual understanding and friendship. At this symposium, 30 academic papers will be read, of which 14 are Chinese and 16 are Japanese, on physical chemistry of steelmaking, pretreatment of hot metal and vacuum metallurgy, steelmaking processes and solidification processes. Under the agreement concluded by the Chinese Society of Metals and the Iron and Steel Institute of Japan in 1979, the symposium on science and technology of iron and steel will be held every three years either in China or in Japan. [Text] [OWO91649 Beijing XINHUA in English 1237 GMT 7 Sep 81]

CSO: 4006/492

CONSTRUCTION

BRIEFS

LHASA CAPITAL CONSTRUCTION--Buduoji, vice chairman of the Xizang Autonomous Regional People's Government, spoke at the regional work conference on capital construction. He said: the major task of capital construction in the coming years is: to further implement the policy of readjusting the national economy and eliminate the influence of leftist ideology. At the same time, we must speed up the construction of public facilities, such as electricity supply and transport. The regional work conference on capital construction was held in Lhasa from 10 to 20 August. Guo Xilan, secretary of the autonomous regional CCP Committee and Yang Zhongxin, vice chairman of the regional people's government attended the meeting. The meeting summed up the experience in capital construction in the past 2 years and planned the major tasks in the years to come. [HK260329 Lhasa Xizang Regional Service in Mandarin 1130 GMT 24 Aug 81]

LIAONING SCHOOL CONSTRUCTION--By the end of August, Liaoning Province had commissioned new schools totaling 200,000 square meters in floor space at higher education institutions, an increase of 50,000 square meters over the corresponding 1980 period. [SK061046 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 5 Sep 81]

GUANGZHOU SATELLITE TOWNS--From 18 to 22 August, the Guangzhou municipal revolutionary committee held a forum on town planning and rural housing. The forum decided that within this year, Panyu, Hua, Conghua, Zengcheng, Longmen and Xinfeng counties and Shahe, (Wushan), (Jianggao) and (Dagang) townships be built into satellite towns of Guangzhou Municipality. Representatives from all counties, districts and bureaus who were attending the forum inspected the town planning situation of (Dagang) township in Panyu County. [HK040455 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 23 Aug 81]

FUJIAN ECONOMIC CONSTRUCTION--The Fujian Provincial Party Committee and people's government recently made a decision to step up economic construction in Fujian's old revolutionary bases and called on various departments to support the project with manpower, material and funds. The decision stressed the construction of roads, water conservancy projects and powerplants and the development of cultural, educational and public health projects in these areas. [OW070622 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 5 Sep 81]

LABOR AND WAGES

BRIEFS

HUNAN YOUTH EMPLOYMENT--Since 1980, more than 13 prefectures and counties in Hunan have established farms and plants in suburban and nearby rural areas to provide employment for young people. These farms and plants offer salaries like other farms and plants. The 19 August HUNAN RIBAO carries this piece of news on the front page with an editorial note. The editorial note said: This is a very good practice for it not only provides more job opportunities for young people, but also strengthens the production bases for daily commodities. Such a practice solves population problems in urban areas; it differs from the past practice whereby youths had to go and work in the countryside and mountain areas, for it is not a temporary measure and the youths are receiving good salaries and other benefits. [HK260315 Changsha Hunan Provincial Service in Mandarin 2300 GMT 18 Aug 81]

GUANGDONG UNEMPLOYED YOUTHS--Guangzhou Municipality has taken measures to encourage unemployed youths to seek employment by themselves and to develop individual undertakings. In the first half of this year, the municipality had some 15,000 licensed individual undertakings, 46 percent of which were operated by unemployed youths. Over the past 1 year or so, the municipality has set up an additional 16,000 commercial points and stalls, of which some 4,000 are in the catering trade, some 6,000 are in the commercial trade, some 2,000 are in the repair and assembly trade and some 400 are in the garment trade. [HK240932 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 19 Aug 81]

YOUTH EMPLOYMENT--Over 2.81 million jobless youths were provided employment throughout China in the first half of this year, an increase of 320,000 compared with the corresponding period of last year. Since the beginning of this year the number of collective enterprises and individual businesses has increased. According to statistics, the number of individual businesses has risen by 111,000. The number of labor service companies has also increased. There are now over 1,500 labor service companies throughout the country. [Beijing Domestic Service in Mandarin 2230 GMT 28 Aug 81 OW]

CSO: 4006/484

TRANSPORTATION

HENAN ON BAD WORK STYLE OF BUS STATION

HK030552 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 1 Sep 81

[Text] According to a GONGREN RIBAO report, (Wang Shuhe) of the Zhengyang County CCP Committee Propaganda Department wrote a letter to the editorial board of GONGREN RIBAO which it ran under the title of "The Zhengyang County Bus Station Practices Bad Work Style." The letter said: The service of the Zhengyang County bus station is very poor. Some drivers and conductors often willfully beat up passengers under the pretext that they are traveling without paying for tickets. On the afternoon of 21 October last year, a conductor was riding on the bus to (Xiyandian) commune. When the bus arrived at the terminus, the conductor forcibly dragged a laborer who works on a public road repairing project who had left the bus back onto it and asked him to produce his ticket due to his own negligence in checking the tickets earlier in the trip. The laborer replied: You already checked my ticket before I got off the bus and since I am not going to use it to claim reimbursement, I threw it away after I got off the bus. The conductor insisted that the laborer buy another ticket and told the driver to start the engine and taken this laborer back to town. Seeing that the bus was moving, the laborer tried to get off the bus. Then, the conductor slapped him in the face and beat him up, and attempted to strangle him. While striking the laborer, the conductor asked: Are you afraid of me now? The laborer answered yes. However, the conductor kept on striking him up until there was blood all over the laborer's face. One of the passengers could not put up with this any longer and gave the conductor 2.2 yuan for a ticket for this laborer. But as a result of this, this passenger was rudely scolded by this conductor, and the conductor continued to strike the laborer until the bus was at (Baima) bridge which was about 2 miles from (Xiyandian) commune and let him get off the bus there.

The passengers traveling on the same bus also reflected: It is very difficult to buy a ticket to get a seat in Zhengyang bus station, or even if people can buy tickets, they still cannot get seats. Cases in which those without tickets can ride on a bus while those with tickets are badly treated are often seen. In addition, the drivers and conductors often make use of the buses to take care of personal business without any thought to delaying passengers. On 4 November last year, when the Zhengyang County public security bureau published the order to detain, according to law, the conductor who beat passengers without a cause, the head of the bus station, accompanied by some people, went to the public security bureau and tried to settle the case with the persons in charge. In addition, he also allowed some 30 workers and staff members of the bus station to drive their buses to the public security bureau

and after threatened to strike. The wrong deeds of the head of the station encouraged the drivers and conductors of the station to practice a bad work style. It is impossible for people to put up with the serious problems of the Zhengyang County bus station. We call on the departments concerned to practically strengthen leadership and seriously rectify the bad work style in order to bring about a new appearance of the bus station.

CSO: 4006/493

TRANSPORTATION

BRIEFS

JIANGXI GOVERNOR, VICE GOVERNOR--Nanchang, 4 Sep (XINHUA)--Traffic congestion was a serious problem on an east suburb highway in Nanchang city. The congestion was caused by heavy traffic on the highway and a railroad crossing running across the road. Recently, however, the congestion has been alleviated. Bai Dongcai, permanent secretary of the Jiangxi Provincial CCP Committee and governor of Jiangxi, issued instructions on the solution of the problem. Measures for alleviating the congestion were adopted at a recent meeting presided over by Fu Yutian, secretary of the provincial party committee and vice governor. [OW070622 Beijing XINHUA Domestic Service in Chinese 0028 GMT 4 Sep 81]

CSO: 4006/493

GENERAL

BRIEFS

GANSU ENTERPRISE MANAGEMENT CONFERENCE--The Gansu Provincial CCP Committee recently convened a conference on the democratic management of enterprises. Ziao Jianguang, secretary of the provincial CCP committee, attended. The conference called for stepping up the party leadership in enterprises, establishing workers' congresses and pushing the democratic management of enterprises onto a new stage. According to a survey of 642 enterprises, 389 of them had convened workers' congresses as of the end of July. Many units have elected team, section and workshop leaders through democratic processes. The conference called on industrial, communications and capital construction enterprises under the jurisdiction of county-level authorities or higher which have not established workers' congresses to establish them before the end of the year. Units whose workers' congresses do not function well should analyze the causes and take effective steps to correct them. [SK131125 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 12 Sep 81]

HUBEI COMMODITIES CIRCULAR--Recently, the Hubei Provincial People's Government issued a circular demanding that all localities in the province seriously implement the regulations of the State Council's circular on curbing unhealthy trends in commodities circulation. The circular of the provincial people's government demanded that all departments in charge of economics in all industrial, commercial and collective enterprises in cities and towns as well as commune- and brigade-run enterprises should study the State Council's circular and curb unhealthy trends. The circular stressed that any unit which continues in promoting unhealthy trends will be investigated and held liable for any losses. Serious cases will be tried according to state laws. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 28 Aug 81 HK]

HUNAN ILLEGAL GOLD TRANSACTION--(Liu Wanyun), commune member of (Longxing) brigade, (Xiadong) commune in Chaling County; and (Tan Wei) of (Dalong) brigade in (Zichun) commune illegally bought up gold to engage in speculation and profiteering. They were recently tracked down and handled by the Longhui County Industrial and Commercial Administrative Bureau. On 8 March this year, on the production of the certificate of the (Zichun) commune agricultural machiner plant in Chaling County, (Liu Wanyun) and (Tan Wei) assumed the names of (Tan Jieliang) and (Liu Qingyun) and went to (Liugouzhai) and (Jinshan) in Longhui County, which are gold production places, to illegally buy up 313 grams at 20.50 per gram. They were tracked down by the (Liu gouzhai) industrial and commercial office on 11 March. When they were being investigated, they took the opportunity to seize ill-gotten money and goods and fled. They were later arrested by students of Longhui County No 2 Middle School and 313 grams of gold which they had illegally bought up with 6,416.50 yuan, 505 yuan

in cash and 2 watches were seized from them. Investigation revealed that (Liu Wanyun), (Fan Wei) and other people at large sneaked into gold production places in Longhui County to illegally buy up gold on many occasions. They then sold it in Guangzhou to reap staggering profits. They violated the state regulations on financial administration. [HK040455 Changsha Hunan Provincial Service in Mandarin 2300 GMT 23 Aug 81]

HEILONGJIANG COUNTRY DIVERSIFIED ECONOMY--Linkou County, Heilongjiang Province, has developed a diversified economy since 1979. It earned 19 million yuan from the diversified economy in 1980 and is expecting to earn 27 million yuan in 1981. It has afforested 1.4 million mu of land in 1981, planted 30,000 mu of flue-cured tobacco, raised 54,000 sheep and 24,000 cattle and maintained 12,000 beehives. This county has specialized teams composed of 15,000 persons, 4,000 technicians, 5,000 specialized households and 2,200 diversified economic bases. [SK050654 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 3 Sep 81]

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PUBLICATIONS

BRIEFS

BOOK ON FINANCE--CHINA's FINANCIAL ISSUES, a collection of essays compiled by the Institute of Financial Science under the Ministry of Finance will be published soon in Tianjin Municipality. The book consists of 44 essays contributed by noted experts on financial and economic issues in China since the 3d plenary session of the 11th party Central Committee. [Beijing Domestic Service in Mandarin 0900 GMT 2 Sep 81 OW]

CSO: 4006/493

ECONOMIC PLANNING

HONG PAPER ON POSSIBLE SHANGHAI ECONOMIC ZONE

HK290405 Hong Kong WEN WEI PO in Chinese 29 Aug 81 p 3

[Dispatch from Shanghai: "Economists Are now Launching a Discussion on Whether Shanghai Should Set up a Special Zone"]

[Text] Economists in Shanghai are now launching a discussion on how to develop the economy there. There are two different views; one holds that Shanghai should adopt flexible and special policies, take advantage of its superior features and gear itself to the world market. The other holds that Shanghai should act like Guangdong and Fujian and set up a special economic zone.

In the first half of this year eight economic experts including municipal CPPCC members Li Lixia and Sheng Muile proposed to the Shanghai City CPPCC that Shanghai should draw in foreign investment and set up a special economic zone, so as to develop the city's economy. This proposal attracted much interest among Shanghai economists, who came out with different ideas on whether the city could set up a special economic zone.

Those who do not agree to setting up a special zone hold that since Shanghai has a strong industrial foundation, a powerful science and technology force, talented people, and a century of accumulated technical experience, the city should develop its export trade, gear itself to the world market, and use its technology and skills to compete with foreign countries. At the same time it should import advanced foreign technology to an appropriate degree in order to tap potentials and carry out innovations and improvements in the existing enterprises. What Shanghai needs is not a special economic zone but a relatively flexible special policy that will help to take advantage of its superior features.

Those who agree to setting up a special economic zone hold that there will be many advantages and few disadvantages in doing so. To open up an international market in Shanghai is better than the foreign trade method practiced at the Guangzhou trade fairs, and by setting up a special zone "a hundred flowers can bloom" and many experiments can be carried out.

There are also differences of opinion on the question of opening up Pudong. Some hold that Pudong could be a special economic zone, and foreign capital could be used to open it up. Others do not agree, saying that Pudong is the only valuable

piece of land in Shanghai's long-term planning, and it must not be used in an indiscriminate way. If in the future the two banks of the Huangpu river are joined up, land values at Pudong will be comparable to those on the Bund and Nanjing Road, and even to those in Tokyo's Shinjuku and Ginze districts. It is extremely improper to develop this valuable land into a special economic zone.

CSO: 4006/484

FINANCE AND BANKING

CHINA TO RAISE FUNDS THROUGH BANKING SYSTEM

HK100600 Hong Kong WEN WEI PO in Chinese 9 Sep 81 p 8

[Report from Beijing correspondent Cheng Xiang [4453 5046]: "China Stresses Speed of Economic Development; Banking System To Bring Into Play its Functions in Raising Funds"]

[Text] In regard to the problem of the strategy of economic development, China recently renewed its emphasis on speed and holds that despite the readjustment, a certain speed should be maintained in its economic development. This is different from its former emphasis on adequate retreat, on resolutely making an adequate retreat--"to die first and revive later" as China put it. It shows a remarkable change in China's policy of economic development.

As the rate of increase of development during the first half of this year was only 0.8 percent and this reflected a situation of stagnation in its national economy, the Chinese Government put forward a new viewpoint that during the period of readjustment the rate of increase cannot be high, but there should not be a zero rate of increase. Otherwise, the whole economy will be depressed. The Chinese Government realizes that this readjustment differs greatly from the one in 1962. During the readjustment in 1962, a large number of small local enterprises closed down and many projects were canceled. As a result, a large number of workers were dismissed and returned to the countryside and stopped receiving wages from the state. Therefore, though the rate of increase was low or even negative, the burden on the state was lightened. Although there has also been "closing down, suspension, consolidation and shifting to other production" during this readjustment, there has been no fall in the number of workers and wages have been paid as before. Meanwhile, there is still the problem of youths awaiting jobs. Under such conditions, there cannot be high rate of increase in economic development, but there should not be a zero rate of increase; otherwise, it will be impossible to maintain economic stability.

Having renewed its attention to speed, China is faced with the outstanding problem of how to achieve speed, or to be more specific, how to raise funds for increasing the speed. As there are already heavy financial burdens on the state, no funds can be drawn from state finances to increase the speed. Therefore, the funds can only be supplied by the banking departments. Under such circumstances, the recently-ended meeting of the Chinese People's Bank held in Chengde and the meeting of the Bank of China held in Taiyuan became very important.

Our correspondent learned from the two banks that at the Chengde meeting the following measures were put forward to raise funds at home: 1. Development of diversified forms of deposits to draw funds from the general public, including special deposits such as housing deposits and building material deposits; 2. The issue of negotiable bonds and simultaneous commissions to sell and purchase the debentures issued by enterprises so as to raise long-term funds; 3. The introduction of trust business in its branches in major cities; 4. The development of the insurance business in the country; 5. The strengthening of credit management so as to speed up the turnover of floating capital and reduce the amount of idle funds; 6. The popularization of middle-term and short-term equipment loans to help some factories and mines expand and renew their equipment, thus giving rise to new productive capacity.

The Chengde meeting concentrated its discussions on the problems in raising funds in the country, while the Taiyuan meeting of the Bank of China discussed how to raise funds from abroad. The meeting affirmed the experience gained in the past 2 years in developing banking activities abroad and held that the banking business should keep developing, specifically by the following three methods: 1. The 14 banks in Hong Kong and Macao (13 in Hong Kong and 1 in Macao) should coordinate and form a banking group to intensify their competitive capacity. 2. Joint venture banking enterprises should be set up abroad and it has been considered whether branches of these enterprises should be set up abroad. Meanwhile 14 banks were allowed to set up branches abroad according to the needs of their business. 3. The three insurance companies in Hong Kong should strengthen their coordination with the banking system in the future. Regarding the banks' business in the future, they should make efforts to attract deposits and do their best to combine their business with the export trade such as by providing remittance securities. They should also renew trust services. The meeting expressed the hope that every means should be resorted to mobilize foreign funds for raising the speed of economic development.

What was common in the two meetings was that both were for "raising, accumulating and using funds" to guarantee that during the readjustment period a certain speed could be achieved in the development of our national economy.

CSO: 4006/493

FINANCE AND BANKING

'WEN WEI PO' CITES PRC'S SECOND QUARTERLY FIGURES

HKD81256 Hong Kong WEN WEI PO in Chinese 5 Sep 81 p 3

[Report: "China's Second Quarter Financial Statistics for 1981"]

[Text] ZHONGGUO JINRONG [CHINA'S FINANCE] (vol 9, 1981) published today carries China's second quarter financial statistics for 1981.

1. Condition of state credit, loans, revenue and expenditure

Items	Unit: 100 million yuan 1981 Balance at end of second quarter
Total of various deposits	1,753.17
Enterprises' deposits	561.89
Financial deposits	267.46
Capital construction deposits	188.00
Departments and organizations' deposits	260.13
Urban savings deposits	323.36
Rural deposits	152.34
International financial organizations' deposits	53.81
Currency notes in circulation	306.39
Bank capital	504.52
Profit for the year	16.43
Other items	9.89
Total source of funds	2,644.31
Total of various loans	2,394.44
Loans to industrial production enterprises	438.48
Loans to industries, supply and marketing enterprises and material departments	239.05
Commercial loans	1,352.20
Loans to short and medium term installations	58.60
Loans to urban collectives and individual businesses	83.36
Loans to forward-purchasing down payments	18.34
Loans to state-run farms	13.18
Loans to rural communes and production brigades	191.23
Amount of gold	12.16

Items	1981	
	Balance at end of second quarter	
Amount of foreign currencies	32.53	
Assets in international monetary organizations	34.83	
Financial loans	170.23	
Total funds utilized	2,844.31	

2. Condition of rural credit and cooperatives' deposits and loans

Items	Unit: 100 million yuan	
	1981	
	Balance at the end of second quarter	
Total of various deposits	231.54	
Deposits from communes and brigade collectives	49.39	
Deposits from commune and brigade enterprises	19.27	
Deposits from individual commune members	144.46	
Other deposits	18.42	
Total of various loans	129.37	
Agricultural loans to communes & brigades	66.27	
Loans to commune and brigade enterprises	38.50	
Loans to individual commune members	24.60	

3. Condition of exchange rate, gold and foreign exchange reserves.

Items	1981		
	April	May	June
Exchange rate:			
Special drawing right units converted into yuan (end period figure)	2.0184	2.0402	2.0098
\$ converted into yuan (end period figure)	1.6840	1.7436	1.7467
\$ converted into yuan (average figure)	1.6620	1.7227	1.7605
Gold and foreign exchange reserves			
foreign exchange (in \$100 million)	25.59	32.04	38.10
Gold (in 10,000 oz)	1,280	1,280	1,280

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FOREIGN TRADE

BRIEFS

INDUSTRIAL PROJECTS TENDERS INVITED--Beijing, 7 Sep (ZHONGGUO XINWEN SHE)--The Chinese National Technical Import Corporation has issued an international circular inviting tenders for the supply of essential equipment and materials for three extension projects at Shijiusuo port, Yanzhou-Shijiusuo railway and Qinhuangdao port. The main equipment and materials required in this international tender include crawler excavators, crawler rock drillers, mobile air compressors, wheeled loaders, dump trucks for rocks, diesel caterpillar pile drivers, cross-country wheeled cranes, hydraulic truck cranes with stretchable arms, geological drills, irregular corrugation shapers and rolled steel. In accordance with the agreement between the Chinese Foreign Investment Control Commission and the Japanese Overseas Cooperation Fund, the total cost of the above-mentioned equipment and materials will be charged against the loan extended to China by Japan. The Chinese National Technical Import Corporation invited citizens of all qualified supplying countries and experienced and renowned manufacturers and trading companies which are organized and registered in these qualified supplying countries to submit tenders. The period for submitting tenders runs from 23 September 1981 to 10 October 1981, and the sealed tenders will be opened on the afternoon of 11 October 1981. [Text] [HK090203 Hong Kong WEN WEI PO in Chinese 8 Sep 81 p 1]

CSO: 4006/493

LABOR AND WAGES

'WEN WEI PO' ON REFORMING WAGE SYSTEM IN CHINA

HK311125 Hong Kong WEN WEI PO in Chinese 30 Aug 81 p 1

[Dispatch from Beijing: "Wages and Bonus Systems Are Being Reformed"]

[Text] China's enterprises are attempting to reform their bonus system as well as to practice the piece-rate wage system and the system of giving awards by scoring work points in order to change the old situation of "eating out of a big pot." The remuneration to enterprises can differ: the highest remuneration may be 150 percent higher than the lowest.

According to the No 16 issue of BAN YU TAN, one of the major reasons why the industrial situation is not as good as the agricultural situation is that there is no strict responsibility system in industrial production and egalitarianism among the workers and staff has not yet been overcome. There are two "big pots" in the industrial front: the "big pot" of the state for enterprises and the "big pot" of enterprises for workers and staff.

At present, as the wage system has not yet been reformed, it is necessary to find out some method for distributing the profits among the enterprises (or distributing the gains due to a reduction of losses) and in giving bonuses to workers, so as to remedy the defects in the present wage system. First, there must be differences between the enterprises. The workers and staff in the enterprises that have a better economic effect (regardless of whether they are state-owned or collective enterprises) must receive a better income than others. Second, the piece-rate wage system should be put into practice in the groups (or among individuals) which are able to practice this system. For those groups or individuals whose conditions still do not allow this system to be practiced, the system of giving bonuses by scoring work points may be practiced. This is to ensure that the bonuses are distributed according to one's work and that the skillful and hardworking workers get more than others. According to our experience and lessons in the past few years, on the question of wages and bonuses, we must adhere to the following two principles:

1. The increase of both the production of the enterprises and the income of the state must be guaranteed. This means that an increase of production and income should be reflected in profits that are really made or in really useful wealth. The enterprises which do not help the state in increasing income cannot retain more funds for themselves; therefore, the workers and staff in these enterprises can get no more than others.
2. In distribution, we must conscientiously carry out the principle of "more work more pay and less work less pay." Those who overfulfill the production quota should get more and those who do not fulfill the task should get less. Thus, due to differences in the accomplishment of tasks, the highest remuneration may be 150 percent higher than the lowest.

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